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JPRS-CEA-85-094

28 October 1985

# China Report

## ECONOMIC AFFAIRS

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CHINA REPORT  
ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

REFORM RATIONALIZES RURAL INDUSTRIAL STRUCTURE

OW211128 Beijing XINHUA in English 0732 GMT 21 Sep 85

[Text] Beijing, September 20 (XINHUA)--China's economic reform has helped rationalize its rural industrial structure, according to the latest figures released by the State Statistics Bureau.

The countryside now has thriving subsidiary industries in addition to a healthy agricultural mainstay, in line with local conditions to meet market needs.

The country had 112 million hectares sown with grain last year, 3.7 percent less than in 1980--and the area used to industrial crops reached 19 million hectares, up from 16 million hectares.

The proportion of grain-sown areas in the total fell from 80.1 percent in 1980 to 78.3 percent last year, while that of industrial crops rose from 10.9 percent to 13.4 percent; the output of both grain sectors has increased steadily.

Among farming, forestry, animal husbandry, sideline produce and fisheries, the proportion of farming has dropped.

The output value of forestry, animal husbandry, sideline produce and fisheries accounted for 31.4 percent of the total output value of agriculture last year, as against 28.3 percent in 1980, and that of farming dropped to 68.6 percent from 71.7 percent during this period.

The bureau said that the rise of rural productivity has enabled surplus labor and capital to shift into industries, commerce and service trades.

The total output value of agriculture accounted for 63.2 percent of the rural gross social product last year, 5.6 percent less than in 1980; rural industry for 23.1 percent, up from 19.5 percent in 1980; the rural building industry for 7.4 percent, up from 6.5 percent; transportation for 2.6 percent, up from 1.7 percent; and rural commerce for 3.7 percent, up from 3.5 percent.

The rearrangement of the rural industrial structure indicates that it is developing in a rational way, the bureau analyses.

CSO: 4020/14

NATIONAL POLICY AND ISSUES

NORTH-SOUTH ECONOMIC RELATIONS DISCUSSED

HK140524 Beijing GUOJI WENTI YANJIU in Chinese No. 3, 13 Jul 85 pp 11-17

[Article by Zhang Shie [4545 1102 1494]: "Changes in the North-South Economic Relations and Prospects for Economic Development"--first paragraph published in boldface]

[Text] For about a century, the economies of the less developed countries have fluctuated as the economies of the developed countries fluctuated. During the past year, there has been a slowing trend in the economic development of the developed countries and in the growth rate of their trade and the pace of the movement of their funds. In order to maintain a relatively high economic growth rate, the developing countries should find motivation within themselves by developing South-South trade and readjusting their domestic economies. From a long-term point of view, there is great potential to tap in these two spheres and it is possible for the developing countries to realize a switch from relying on external stimulation to developing their economies on the basis of self-reliance. However, during the course of this transition, the economic growth rate of the developing countries will continue to be affected by the economic situation in developed countries. Therefore, there may be a situation of a relatively low growth rate during the 1980's.

During the past few years, there have been some major changes in North-South economic relations. As the economic growth of developed countries, the growth of their trade, and the movement of their funds have slowed down, in order to maintain economic growth, the developing countries should motivate themselves by developing South-South trade and readjusting their domestic economies. By so doing they will finally be freed from their reliance on the developed countries. Will the developing countries be able to successfully deal with the challenge of the times and realize this change? What are the potentials and possibilities for South-South trade and the readjustment of domestic economies? What are the prospects for economic development? This article will analyze these problems.

I [Roman one]

For about a century, the economies of the less developed countries have fluctuated as the economies of the developed countries fluctuated. In the 30 years beginning in 1913, the economies of the former expanded and rose in line with the latter's. The 30 years after World War I was a period of slowing of the economic growth and recession in capitalist countries. The economic development of lesser developed countries also stagnated. During the 20 years before 1973, there was an unprecedented boom in the economies of the developed countries. The economies of the developing countries also developed quickly, with an average annual growth rate of 6 percent. During the 20 years before 1973, the world trade volume (calculated at real price levels) rose about 8 percent on average every year, much greater than the record in previous periods. In the past there were several fluctuations in world trade. The annual growth rate of world trade was 4-5 percent in the period from 1830-1873, 3-4 percent from 1873-1913, and dropped to 0.9 percent in the period from 1913-1939. (W. (Arthur Louis): "The Growth Motor Is Slowing Down and carried in "American Economic Review," September 1980, pp 555-564)

Since the communications revolution centered on the development of railways and steamships in the latter half of the 19th century, the economic growth of the peripheral countries has been determined by the trade of these with main countries. Since World War II, this situation has not been radically changed, although the developing countries have carried out several decades of economic construction and developed trade with one another. The external development strategy of the developing countries in the past 20 years has continued to be geared to the market in developed countries.

However, since the beginning of the 1970's, there has been a tremendous change in world economies. The economic growth of the developed countries has lost the vigor to carry the development of the economies of the developing countries or to enable these countries to achieve a relatively high growth rate. First, since the beginning of the 1970's, there has been a slowing trend in the economic growth of the developed countries. Their average annual economic growth rate was 5 percent from 1961 to 1973, 2.6 percent from 1974-1979, and 1.2 percent from 1980-1984. During the above periods, the annual rate of increase for imports in the developed countries was 8.9 percent, 3.6 percent, and -0.2 percent respectively. The rate of increase for the exports of the developing countries was respectively 6.7, 2.0, and -3.2 percent. According to some forecasts, the production growth rate for developed countries in the mid 1980's will be lower than that of the late 1960's and early 1970's. What is worth paying attention to is that the ratio of the rate of increase of imports to that of production in industrial countries has also gradually dropped. It is estimated that the ratio of the rate of increase of imports to that of GDP in the countries of the Organization for Economic Cooperation and Development was 1.3 from 1973-1979, and dropped to 1.0 from 1979-1985. These countries

imported 20 percent less energy in 1985 than they did in 1979 and about 7 percent less raw materials. (The Organization of Economic Cooperation and Development: ECONOMIC OUTLOOK, July 1984, pp 59-66). Second, protectionism is in vogue and it is becoming increasingly difficult to put goods onto the market in developed countries. Since 1979, protectionism has risen along with economic recession and the worsening of unemployment. In 1983 and 1985, its spread was accelerated. The commodities that account for more than half of the world trade volume are under certain forms of non-tariff restrictions. The export goods of many developing countries have become targets of restriction in developed countries, including textile goods, chemical products, steel, and iron. During the period from August 1982 to July 1983 alone, there were as many as 100 cases of developed countries prospecting developing countries for violations of the anti-dumping law. The sugar, beef, wheat, and corn that developing countries export to developed countries have accounted for an increasingly smaller percentage of the consumption of these goods in the developed countries since the 1970's. In the past few years, the rate of increase in the exports of manufactured goods by developing countries has dropped to a low level. As long as developed countries do not reform their economic structure in accordance with the principle of comparable cost, they will set one obstacle after another before the exports of many products of the developing countries. Third, the composition of supply and demand in the developed countries has changed in a direction that is unfavorable to developing countries. As the population becomes older and the people's income rises, demand rises quickly in relation to the service sectors such as the medical, information, and recreation sectors, but the demand for the products that are generally exported by the developing countries does not rise as quickly.

From the above, we can see that during the past century the trade with developed countries has been a major locomotive for the development of the economies of developing countries. Now the power of this locomotive has been greatly weakened.

## II [Roman two]

In addition to trade, the movement of funds is another economic channel between developing countries and developed countries. Foreign funds have played a role in promoting economic development. The United States and Australia are clear historical examples of this. Of course, as the amount of foreign capital utilized increases and the outflow of funds as interest expenditure and profits also rises, there will be a time when the outflow of funds becomes bigger than the inflow of funds. In some developing countries, although other countries have directly invested relatively large amounts of funds into these countries. For a relatively long time, the outflow of funds has begun to exceed the inflow of funds. This is the same case with foreign debts. If the total amount of the debts or the interest rate increase, the interest expenditure will finally exceed the additional loans borrowed.

In the 1960's and early 1970's, foreign funds accounted for 10-20 percent of the total investment in developing countries. Most of these foreign funds came from official or semiofficial sources, including donation of funds, loans at reduced interest rates, and loans at market interest rates. A small part of these funds were private funds and were mainly export credit and direct investment made by foreigners.

From 1970-1980, the debts of developing countries rose rapidly. Their medium- and long-term debts rose from \$67.7 billion to \$43-87 billion, an increase of over 500 percent, which meant an average annual increase of 20.5 percent. At the same time, the composition of the debts greatly changed. The proportion of bilateral aid was greatly reduced and that of the funds provided by multilateral institutions rose slightly, but that of private loans, in particular loans from financial institutions, rose quickly. As a result, in the long-term debts incurred by borrowing by developing countries, the proportion of official loans dropped from 54 percent in 1971 to 37 percent in 1980, while that of private loans rose from 46 percent to 63 percent in the same period. The proportion of loans provided by private financial institutions rose even more quickly from 12 percent (in 1970) to 43 percent. As the proportion of private loans rose, the interest rates on foreign loans rose and the terms of repayment were shortened.

Since the beginning of the 1980's, as developing countries suffered economic difficulties and as their reputation deteriorated, the medium- and long-term loans provided by commercial banks have sharply declined from \$50 billion in 1981 to \$41 billion in 1982 and \$32 billion in 1983 (of which \$14 billion was "nonvoluntary loans"). In 1983, the net amount of funds that developing countries drew in from foreign private sources was only 47 percent of that in 1981. (Calculated according to Table II-4, p 47 of the UN report "Investigation of World Economics in 1984") On the other hand, the influx amount of official funds from abroad has stagnated since 1980.

What is even more worthy of attention is that during the past few years, an increasingly large proportion of the new loans borrowed by developing countries has been used to repay the interest and principal on their previous loans and thus the proportion of net inflow of funds in the borrowing has continued to decrease. The percentage of the net inflow of funds in the funds drawn in through borrowing dropped from 44 percent in 1971 to 24 percent in 1982. (World Bank: "Table of World Debts in 1981" pXii; "Table of World Debts in 1982" p XVII) In 1981, after deducting the repayments for interest and principal on the loans, the developing countries had a net inflow of funds amounting to \$16 billion through borrowing medium- and long-term loans from private sources (mainly from banks). In 1982, they had a negative inflow of \$7 billion. In 1983, the negative inflow rose to \$21 billion. (Mander-wen [2581 1422 2429] (Westlake): "Debt Crisis: Act 2," "Nanfang" magazine, May 1984, p 87. Also see the World Bank's "Report on World Development in 1984" p 30 and "the Economist," 18-24 February 1984,

pp 11-12) This does not mean that the economies of the developing countries have developed to a relatively high stage and that the demand for foreign funds in these countries has decreased. Therefore, the new loans borrowed were lower than the amount of interest and principal repayments. It is, however, an abnormal phenomenon that took place under the circumstances of high interest rates and the sudden tightening of credit by commercial banks.

During the 1970's, the developing countries borrowed more medium- and long-term loans than they needed for their payments at that time, which gave rise to their large foreign exchange reserves. In the early 1980's, their international payments deficits rose sharply and they borrowed less medium- and long-term loans. Therefore, they had to use their reserves and borrow short-term loans to make up for their fund shortages. Some countries have such low reserves that they are unable to pay for 1 month of imports. In the foreseeable future, it will be hard for bank loans to return to the level in the past, there will not be a very great increase in official aid, and there will possibly be some increase in direct private investment, but this will constitute only a small percentage of the movement of funds. Judging by the present situation, the time has already past when a country can rely on international loans to maintain its economic growth as it could in the 1970's. On the contrary, huge debts will become heavy burdens for some developing countries and hinder their economic development.

### III [Roman three]

The economies of the developing countries are now at a turning point. The two major aspects of support that these countries relied on to promote their economic growth in the past, namely, trade and movement of funds, have now been greatly weakened. In order to maintain their economic development, these countries must give play to their creativeness and spirit of cooperation, expand South-South trade, open up their domestic markets, and find internal motivation. What, are the potentials and possibilities for South-South trade and their domestic economic readjustment? Later we will briefly expound on some new developments in international economics related to these two aspects.

1. South-South trade: During the 1960's, some countries began to pay attention to developing South-South trade and established regional cooperation organizations. In the early stages, the major aim of developing South-South trade is to overlook the restrictions of the narrow domestic markets and more satisfactorily apply the theory of economies on a relative scale, and thus promote production. During the past few years, as the traditional western market has stagnated, South-South trade has been imbued with a new significance and is regarded

as an impetus to promote economic growth that can finally replace the western market.

During the 1950's and 1960's, the rate of increase in South-South trade was lower than that of North-South trade. During the 1970's, the development of South-South trade accelerated. As a result, the percentage of this trade in the total volume of imports and exports of developing countries rose from 20 percent in 1971 to 24 percent in 1980. Will South-South trade be able to continue to expand in the future and thus make up for the losses caused by the slowing of North-South trade and promote the economic growth of developing countries?

From a long-term point of view, this is possible. In theory, in developing South-South trade and cooperation, we can promote the development of trade through the following two methods: 1) trade obstacles can be removed by giving preferential tariff treatment; and 2) the pressure of international payment deficits that has been particularly serious during the past few years can be eased through monetary and financial arrangements such as settlement agreements and export credit. Moreover, judging by the composition of the trade, present, major products that developing countries import from developed countries include grain, fertilizer, cement, iron, steel, and machinery. The production of most of these products only requires ordinary technology; therefore, it is possible for developing countries to totally supply these goods for themselves if they make efforts. In the sphere of agriculture, if they adopt rational price policies, apply the achievements of advanced technology and scientific research, and appropriately reform their land system, it will be possible for developing countries to produce sufficient grain to satisfy their own demands. As for fertilizers, cement, and iron and steel, many developing countries can grasp or have already grasped the production technologies and can find raw materials for the production of these goods in many areas in their territories. The production of machinery is a relatively difficult problem, because the production of many kinds of machinery involves economics on a relative scale, the continuous renovation of technology, patent rights, and secret technological know-how. However, the machine building industry has already begun to develop in many countries and areas (such as India, Brazil, Singapore, Chile, South Korea, Argentina, and Mexico) and the total sum of the output value of these countries and areas accounts for 15 percent or more of the total output value of the machine building industry of the world. The exports of machinery by developing countries have also risen very quickly and have already exceeded in value those of their textile goods and garments. For most types of machinery, it is not necessary for developing countries to wait until they are entirely freed from "technological dependence" before they can gradually become self-sufficient.

On the other hand, there are also some obstacles to South-South trade. For example, as the level of development varies for various countries, their opinions differ on the issue of the reduction of tariffs. The goods exported by these countries fail to fulfill each other's needs, the existing links and facilities related to trade are now geared to developed countries, and so forth. What is even more important, the growth of South-South trade requires the growth of the production in the various countries concerned. It takes time to overcome these difficulties. Therefore, South-South trade will expand gradually.

2. Internal economic readjustment: During the past 20 years, developing countries have undergone two major readjustments. After the economic crisis in capitalist countries during 1974-1975, many developing countries conducted readjustment focused on overcoming international payments deficits and conserving and exploiting energy. The results of the readjustment vary as countries vary. Among the countries with an average income level, some have greatly increased their borrowing from the international capital market, while others have expanded their exports to developed countries or produced some goods to replace what they previously imported. They showed relatively good results and maintained an annual rate of increase in per capita GNP at 3.1 percent in the 1970's (3.6 percent in the 1960's). The low-income countries, particularly African countries, had a relatively poor ability to adapt themselves to the change. They were not able to increase their exports or to borrow large amounts of loans. In the 1970's, the rate of increase of the per capital GNP dropped to 0.8 percent a year, less than half of that in the 1960's (1.8 percent). However, generally speaking, the readjustment in developing countries in the late 1970's failed to change their reliance on the market in developed countries and put some countries under the heavy burden of debts.

The 1980-1983 economic crisis in capitalist countries put developing countries into the most serious economic predicament of recent decades. This fully revealed their unfavorable position in the old international economic order. Protectionism, tight international credit, and excessive interest rates made it impossible for these countries to use the methods of the late 1970's to improve their economic situation. An increasingly large number of countries realized that they must carry out an even more profound readjustment to change their old composition of industries, improve the coordination between various industries and departments, and expand their domestic markets. This mainly involves two tasks: The first is to correct the previous tendency of attaching too much importance to industrialization and to strengthen the development of agriculture. A prosperous agricultural situation can provide funds, labor, grain, and raw materials for the development of the economy and for the market for industrial goods. The economic growth stimulated by the demands in the agricultural sector is more reliable than export-led growth, can provide more job opportunities, and will bring about better results concerning income

distribution. (an-ma-ai-te-er-man [1344 3854 5337 3676 1422 2581]: "After Export-led Economic Growth," WORLD DEVELOPMENT, Sep 1984, pp 937-950) The second task is to readjust the internal proportional relations of their industry between their export-oriented industry and domestic market-oriented industry, between large-scale and medium- and small-scale industries, and between light and heavy industries, and to pursue an appropriate development of these industries. The above problems have been put forth in academic circles during the past year. Some countries have already adopted appropriate measures to deal with them. The experiences gained in the early 1980's have made people realize the urgent significance of studying these problems.

The problem now is that the pressure of international payments and financial difficulties are forcing various developing countries to universally reduce their expenditure and investment. This has an impact on their economic construction and readjustment. There are also some countries which have been busy dealing with urgent problems and have not been able to pay attention to deepening the reform. For example, the Latin American debtor countries are making efforts to earn the foreign exchange needed to repay foreign debts under the deflation plans that they have reached with lender institutes. Some African countries have been suffering from droughts and even starvation. Compared with these countries, most developing Asian countries are a little better off. They have a relatively greater capacity to adapt themselves to the situation and have relatively great room to maneuver. In some of these countries, as investment, taxation, and price policies have been adopted in the past few years, the economies are undergoing some changes. For example, some of these countries have been satisfactorily developing their agriculture. The growth rates for agricultural production in India, Pakistan, Thailand, Sri Lanka, and Burma were higher than the average level of the petroleum-import developing countries (1976-1983). The annual rate of increase of energy production in these countries for that period were also higher than the petroleum-import developing countries in general. They are also changing their orientation regarding their industry. Some countries have switched their strategy of export-oriented development to the strategy of giving equal priority to exports and the expansion of domestic demands. Others are developing, in light of the actual situation there, the manufacturing industry as a second effort to produce products to replace imported goods. For example, they have been developing their source processing industry or the industry related to production equipment. However, even in Asian countries, because of their limited funds, the pace of readjustment is still relatively slow now. Therefore, for the short term, the developing countries as a whole have a limited capacity and room to maneuver in carrying out economic readjustment.

3. During the past few years, as the international economic surrounding has changed, some phenomena worth paying attention to have emerged. Namely, for developing countries, direct private investment from foreigners and the bartering trade have become increasingly more important.

The net total amount of the direct private investment in developing countries rose from \$2 billion a year on average in the 1960's to about \$10 billion a year on average from 1974-1982. However, as the borrowing from abroad, in particular, the borrowing from commercial banks, rose rapidly, the proportion of direct investment in the total movement of private funds fell from over 50 percent in the 1960's to about 25 percent in late 1970's. During the crisis of the early 1980's, direct investment dropped a little, but its impact was far smaller than that of private loans. From 1981 to 1983, the former dropped 29 percent to the level of 1980, at a little lower than \$10 billion. The latter dropped 72 percent. Therefore, the proportion of direct investment in the total amount of private funds that flowed into nonpetroleum developing countries rose to about 50 percent by 1983. ("International Monetary Funds General Survey", 18 Mar 1985)

Compared with private loans, direct investment has two advantages: 1) The total amount of the payments of profits and dividends constitutes a smaller percentage of the income from exports than that of the total payments of interest; and 2) the payments of profits change along with the economic situation, while those of interest are relatively fixed. During the past few years, because of a shortage of funds, many developing countries have also relaxed their policies and given various kinds of encouragement and preferential treatment to foreign capital. It is estimated that in the late 1980's, in terms of real value, the direct investment in nonpetroleum developing countries may increase 5 percent a year. Therefore, it will be possible for direct investment to play an even more important role in their economic development than it did in the 1970's. However, direct investment accounts for a relatively small percentage of the total movement of funds. From 1979-1981, it accounted for about 11 percent of the total funds that flowed into nonpetroleum developing countries. Even by an optimistic estimate, this percentage will only rise to about 15 percent by 1988-1990. Moreover, direct investment is concentrated in a small number of countries that have good conditions related to resources or market or have generally fine economic conditions. It is not very possible for a country with relatively poor conditions to attract investment from abroad.

During the past few years, because of the shortage of funds, rampant protectionism, and difficulties in exporting goods, an increasingly large number of developing countries have adopted the method of bartering under certain circumstances. This includes the direct bartering of goods, the practice of exporters pledging to buy certain amounts of commodities from the importer country, the practice of the exporter buying or producing some of the parts in the importer country, the practice of the exporter supplying machinery and equipment for a certain project and receiving some of the payments for the machinery and equipment by taking the products of the project in the future, and so forth. By utilizing bartering trade, the nonpetroleum developing countries have tried to trade their manufactured goods or primary

products for what they need to import. As the demand for petroleum has decreased in the past few years, petroleum countries have also begun to trade petroleum for imports of goods. During the 1980's, bartering trade rose quickly. According to an estimate made by GATT it rose to \$155 billion by 1984, accounting for 8 percent of the total volume of world trade. The figure was even higher according to the estimates of others. However, in 1976, bartering trade only accounted for 2 percent of the world trade. The general forecast holds that in the late 1980's, bartering trade will tend to continue to increase. (FINANCIAL TIMES, 7 Feb 1985; WALL STREET JOURNAL, 13 Mar 1985)

Barter is carried out in both South-North and South-South trade. It is coming into vogue because of the confusion in the international monetary system and the system of international payments. For developing countries, it can be used as a means to increase imports and promote exports to a certain extent when they lack the ability to pay for the imports. However, the procedures for bartering trade are complicated and time-consuming; therefore, there is a certain limit to its development. Moreover, for the trade between developing countries, improving the arrangement of the settling of accounts (such as accords on the settling of accounts and the formation of alliances related to the settling of accounts) may play an even greater role than bartering trade in promoting the trade.

Therefore, generally speaking, although direct investment and bartering trade can improve the situation related to funds and trade in developing countries, their role is limited. From a long-term point of view, developing countries can only achieve sustained economic growth through developing South-South trade and readjusting their domestic economies.

#### IV [Roman four]

What are the prospects for economic development under the grim international situation? There will be gradual progress in South-South trade and economic readjustment. However, in the short term or even for a medium term, for example from now to 1990, it seems hard to score so great achievements as to bring about a radical change in the economic situation in the developing countries. Therefore, from a medium-term point of view, the economic growth of the developing countries will to a very great extent be influenced by the economic situation in the developed countries. As there may be a situation of slow economic growth in the developed countries, trade and movement of funds will not rise greatly. During the economic rebound of the developed countries in 1983, the export income and international payments of the developing countries improved a little, but some abnormal phenomena that were unfavorable to these countries also emerged: protectionism continued to spread, interest rates remained at a higher level, and the prices of raw materials rebounded slowly and some even dropped. As for a period to come, the developed countries will continue to encounter some structural problems

such as financial deficits, unemployment, and decrepit industries. There is very little hope for restraining protectionism or high interest rates. Even the technological revolution that is underway may have some negative effects on the demand for the labor-intensive manufactured goods and raw materials produced by developing countries. Therefore, from a medium-term point of view, the international situation will be relatively difficult for the developing countries. On the other hand, many developing countries are troubled by some serious problems of their own. For example, the Latin American debtor countries will continue to be under the heavy pressure of their debts. It is estimated that by 1990, the 25 major debtor countries' debt repayment ratio will still be at the high level of 30 percent (32 percent in 1982). Some low-income African countries have had negative rates of increase in their per capita income and per capita agricultural and grain production since the 1970's. It will be hard for them to bring about a quick turn for the better in their economic situation under their current social and economic conditions. Therefore, generally speaking, there may continue to be a situation of a relatively low growth rate in developing countries in the 1980's.

From a long-term point of view, the improvement of the developing countries' economic position mainly depends on whether they can successfully deal with the challenge of the times and on the achievements they can score in carrying out South-South trade and domestic readjustment. The research personnel of the UN Trade and Development Council have made the following calculation: If the annual GNP growth rate is 2.4 percent for the developed countries, then that for the developing countries will not be higher than 3.7 percent (it was 5.6 percent in the 1970's). However, assuming South-South trade can develop relatively quickly in the period from 1982-1990, its share in the volume of developing countries' exports of manufactured goods can rise from 27 percent to 50 percent, and if these countries can produce enough food to replace imported grain (taking a developing country as an individual country or taking all developing countries as a whole), then the annual economic growth rate for the developing countries will be able to reach 6.4 percent. (UN Trade and Development Council: "Trade and Development Report for 1983," Part 2, Chapter 4) The calculation of the Trade and Development Council has only taken into consideration of the factor of South-South trade. If the effect of domestic readjustment is also taken into consideration, the growth rate will be even higher.

Of course, the assumption by the UN Trade and Development Council seems hard to realize in the 1980's. However, just as is analyzed before in this article, in the long run, it is possible for South-South trade to develop very quickly and there is also tremendous potential to tap in domestic readjustment. At the same time, the international and domestic situation is also compelling many developing countries to do just that. The efforts that the developing countries have made in the past 30 years have already laid a certain material foundation for that. From 1955-1979, their manufacturing industry

rose by an average annual rate of 6.6 percent and that of their heavy industry rose by an average annual rate of 8.7 percent. By 1975, the output value of their heavy industry already exceeded 50 percent of the output value of their manufacturing industry. The developing countries have also scored marked achievements in increasing bank deposits. In 1960, the deposit rate of most of developing countries was lower than that of the developed countries, but now the deposit rate of the developing countries has already exceeded that of the developed countries. In 1980, the average deposit rate for the developing countries had already reached 27 percent. If there was not the restriction of other conditions such as the conditions of their technology, systems, and foreign exchange, according to the normal ratio of capital to output, their GNP could rise at an annual rate of 7-9 percent. There are now some developing countries, including some low income countries, who have scored some achievements in their economic development in the past and who have been able to maintain a relatively satisfactory economic growth rate during the past few years. After a certain period, there will be an even larger number of countries who will gradually free themselves from various fetters and embark on a route of normal development.

The 1980's is a hard time for the developing countries, but may also be a turning point for them. The developing countries have already been provided with certain material and nonmaterial conditions and are able to put forth and implement a development strategy that will enable them to free themselves from their economic reliance on industrialized countries and begin to develop through self-reliance. We can see a remote prospect that in 20 or 30 years or even longer, there may be a number of countries and areas where the economies will continue to grow on the basis of self-reliance and collective self-reliance and who will provide a market for the industrial and agricultural products of other developing countries. At that time, for these countries, instead of trade determining the growth of production, internal factors will determine the growth of production, which in turn will determine trade. The process of decolonialization will be completed in an economic sense. The relationship between the center and peripheral will finally be eliminated. World economics will therefore be greatly changed.

Of course, some low-income countries, particularly low-income African countries, have scored little achievement despite their efforts in the past 20 years. During the past few years, their situation has deteriorated. The economic conditions in their societies are not mature enough for their economic development. For example, the annual GNP growth rate of low-income African countries dropped from 3.4 percent in the 1960's to 1.6 percent in the 1970's; the rate of bank deposits dropped from 10.9 percent to 8.8 percent; the rate of population growth rose from 2.4 percent to 2.8 percent. The literacy rate among adults is significantly lower than the average level of the developing countries. It is forecast that from 1985-1995, the bank

deposit rate will continue to fall and the rate of population growth will continue to rise. By the end of this century, the size of the population living in poverty may rise sharply. For a relatively long time, these countries will continue to need aid from the international community.

## V [Roman five]

The economic readjustment of the developing countries involves the work of making a choice among some foreign economic policies. I will give a simple exposition on this from the point of view of the developing countries, the industrial countries, and the developing socialist countries.

From the point of view of the developing countries, an important aspect is to pay attention to making two distinctions.

First, self-reliance does not mean closing a country to international contacts. The developing countries strive hard to find motivation from within in order to finally achieve continuous growth on the basis of self-reliance or collective self-reliance. However, self-reliance does not mean closing a country to international contacts and having a self-sufficient economy. As the productive forces develop, the mutual reliance between various countries will deepen and their economic contacts will continue to intensify. It is impossible for developing countries to cut off their economic relations with industrial countries and this is not only unrealistic, but also unprofitable. Often, closing a country to international contacts will bring about the unfavorable results of technological backwardness, low efficiency, and high costs. On the contrary, a developing country should strive to get appropriate help from outside in order to speed up its economic development.

Second, expanding exports does not mean gearing everything to exports. A developing country should strive to expand its exports to earn foreign exchange and thus increase its construction funds. However, the practice of one-sidedly pursuing the expansion of exports at the expense of the industry and agriculture that supply domestic demands, will often bring evil results. In the past, some countries adopted the strategy of gearing everything to exports, developed their industries geared to exports in a one-sided manner, and thus caused an imbalanced development of industry for exports and for domestic demands. Moreover, because of the policies that they adopted to give different treatment to these enterprises in the spheres of import control and provision of credit, often enterprises of many years standing that supplied products to satisfy domestic demands came upon difficulties and closed.

Pak Ung-su: "South Korean Economics at a Critical Turning Point," carried by ASIAN WALL STREET JOURNAL, 1 Apr 1980; (Lubin) Bo-lao-te [0514 0525 3676]: "A Change in Philippine Economics" carried in the May 1984 issue of MONTHLY REVIEW, pp 11-21)

During the past few years, people have drawn on lessons from their experiences of the past, particularly from the early 1980's. Some countries that were too domestic demand-oriented have adopted relatively open policies, and others that were too export-oriented are paying attention to promoting the industries that supply domestic needs. Their development strategies have been gradually perfected.

The industrial countries, however, should follow the trend of history, carry out dialogues with the developing countries, and reform the irrational current international order. They should increase their economic aid to the developing countries, realize a readjustment of their economies as soon as possible, eliminate trade protectionism, and ease the debt burdens of the developing countries. This will benefit industrial countries as well as the developing countries. The acceleration of the economic development of the developing countries will in turn promote the development of the industrial countries. The calculation by the researchers of the Trade and Development Council that I mentioned previously shows that if the annual economic growth rate of the developing countries rises from 3.7 percent to 6.4 percent, that of the industrial countries will also rise from between 2.4 percent to 2.9 percent. This is a path that benefits both parties.

However, major industrial countries are now following another path. They disregard the just demands of the developing countries and have caused the South-North talks to reach an impasse. They have spread empty talk about "free trade," but in fact have been intensifying protection. In some countries there has been a declining trend in the proportion of their aid to developing countries in their GNP. Others have even publicly declared that as long as they can satisfactorily deal with their own economies, world economics will follow the trend and be improved. This attitude lacks insight and is unwise and harmful to themselves.

As a developing socialist country, China has always attached importance to strengthening its economic cooperation with the developing countries and supported their struggle for the establishment of a new international economic order. Soon after the founding of the PRC, China began to provide what it could to help some Asian and African countries. During the past few years, China has supported the South-North dialogues, has been willing to take an active part in South-South cooperation, and has proposed that the pace of economic cooperation be accelerated under the principle of "equality, mutual benefit, diversification of forms, being particular about actual results, and achieving common development." This undoubtedly conforms with the common interests of the Third World countries and also with the long-term interests of world economic development.

CSO: 4006/60

NATIONAL POLICY AND ISSUES

JOURNAL ON REVITALIZING SMALL ENTERPRISES BY LEASING

HK031544 Beijing JINGJI YANJIU in Chinese No. 8, 20 Aug 85 pp 48-54

[Article by Ji Zhaoquan [4764 0340 0356] and Yao Yijia [1202 0076 0163] of the Management Science Research Institute of the Ministry of Machine-Building: "A New Road for Revitalizing Small Enterprises--Investigation of Experiments in Individual Leasing of Businesses in 12 Small Enterprises by the Shenyang Motor Vehicle Industrial Corporation"]

[Text] Leased businesses run by individuals are a new thing in the current reform of the economic structure. The Shenyang Motor Vehicle Industrial Corporation leased out 12 small enterprises to individuals to operate and has achieved outstanding economic results, thus opening up a new road for revitalizing small enterprises.

I [Roman one]

The Shenyang Motor Vehicle Industrial Corporation is an economic body-corporate. According to 1984 statistics, of its 70 subordinate enterprises, 56 were small enterprises with an annual gross output value of below 5 million yuan and profit below 0.5 million yuan. The 56 made up 80 percent of the total number of enterprises but their gross output value amounted to only 22.5 percent of the gross output value of the whole corporation, while their profits were 11.3 percent of the total. Acting in the spirit of Premier Zhao Ziyang's report at the Second Session of the Sixth National People's Congress in which he pointed out that "state-run small enterprises should carry out operations under contract and be subject to leasing to collectives or individuals." The corporation, in June last year, leased the Shenyang Motor Vehicle Gasoline Pump Plant and the Shenyang Motor Vehicles Axles Plant to individuals for operation. The leasing method was as follows: During the lease period (3 years), the lessee guaranteed to pay a designated annual rent, complete the fixed basic output value, and make the basic amount of profits. Any amount of the profit not fulfilled would be made up by the individual lessee. Regarding excess profits, tax would have to be paid first, after which division of the balance would be made according to the ratio of 7:3 in the case of enterprises owned by the whole people, that is to say, 70 percent as

rent to the enterprise and 30 percent to the individual lessee, while in the case of enterprises owned by collectives the ratio for division would be 5:5. The lessee undertook that during the lease period payment of basic wages and bonuses would be stopped and that the family properties of the individual lessee and of his two guarantors would not be sold but would be retained intact so as to serve as reserves for compensation of possible economic losses. The lessee would act in the capacity of the legal person of the leased enterprise. He was vested with the power to form his own "cabinet," to decide on the establishment of organs of the enterprise, employment of personnel, appointment and dismissal of cadres, distribution forms and operation methods, and to organize the staff and workers to engage in normal production and business activities, without intervention by the lessor.

Before the lease, the Shenyang Gasoline Pump Plant (owned by the whole people) had fixed assets originally valued at 0.5 million yuan, circulating funds amounting to 320,000 yuan, and a staff of 147 people. All along, the plant had suffered setbacks in production and operation, not having delivered a single cent of profits to the state for 3 years in succession. Six months after the lease, its industrial output value amounted to 0.81 million yuan, being 158.2 percent of the preceding half year, and the realized profits increased by 320 percent over the preceding half year. Delivery of profits to the state amounted to over 60,000 yuan, while the income of the staff members and workers increased by 39.4 percent. The lessee also received very substantial returns.

The Shenyang Motor Vehicle Axles Plant (owned by the cooperatives) had been regarded as a backward plant before the lease. Its management had been in a state of confusion, highlighted by many production difficulties. The morale of its staff had been in very bad shape. It had then a staff of 291 people, fixed assets originally valued at 0.62 million yuan, and circulating funds of 0.42 million yuan. For several years in succession, it had not delivered any profit to the state, its staff members had never been granted any bonus, and the plant had found it difficult to pay even such welfare expenses as cleaning and washing, being on the verge of closing down. Just 6 months after it was leased to individuals to operate, its gross industrial output value amounted to 0.821 million yuan, being 167.8 percent of that of the preceding half year. The amount of profits realized was 92,000 yuan, an increase of 1900 percent over the 1984 plan, and the income of the staff members increased by 53.2 percent while the lessee also became affluent.

Leasing operations have brought vitality to the enterprises, aroused the enthusiasm of the operators and producers, and greatly improved the economic benefits. In January this year, the corporation leased out 10 more small enterprises. This time, the arrangements made were somewhat better, and the scope of coverage was widened. The people applying to be the lessees had come from Shenyang's machine-building

sector, war industry department, and institutions of higher learning. The lease period specified was 6 years. Certain changes were made in the stipulations regarding what the individual lessee would get and the source of the rental fees. It was specified that upon completion of the targets in the agreement, enterprises under the ownership of the whole people would, after payment of the income tax on the gross volume of earnings subject to such tax and payment of the levies for energy and communication construction funds, divide the balance on a 7:3 basis, 70 percent to be retained by the enterprise and 30 percent to go to the lessee. In the case of enterprises under the ownership of collectives, division would be made on a 5:5 basis, after payment of the income tax, and the levies for energy and communication funds, city construction funds and funds for overall undertakings. The rental fees should be paid from the income of the lessee. Up to the present, although the experiment on the second batch of leased enterprises has not been going long, the enterprises have been found to be full of life and healthy signs of optimism are seen in each and every plant. For example, in the case of the Shenyang Motor Vehicle Brakes Manufacturing Plant, before the lease, its 1984 realized profits were 1.05 million yuan. If the 1985 plan were formulated according to normal conditions, the amount of the anticipated profits could have been only 1.5 million yuan. However, as the individual leasing system came into force, the head of the plant found himself "relieved of the yoke" and at his own initiative accepted an annual profit target of 2 million yuan. Up to the first quarter of this year, the plant had already realized profits amounting to 1 million yuan, equivalent to 50 percent of the yearly plan, an over-800-percent increase over the same period of last year.

Practice has shown that leasing constitutes a new thing in the reform of the urban economic structure of our country, being a new method of operation which has vitality and is a new road for revitalizing small enterprises. It cannot only revitalize backward enterprises within a short period of time but can also restore their ability for self-rehabilitation and self-development. Moreover, it enables advanced enterprises to further tap their hidden potentials, and advance to a higher plane of development.

## II [roman two]

How is it possible that such enormous changes can happen to an enterprise before and after the leasing arrangement without any changes in its products, its staff, or even its plant chief?

The reasons may be summed up in the following:

1. Leasing operations enable the plant chief responsibility system to be truly implemented.

In a modern enterprise, division of work as minute production has a high degree of continuity, the technological demands are rigid and exacting and the cooperation relations are complex. It is necessary to install a unified, forceful, and highly efficient production command and system of operation and management. Only through enforcing the plant chief responsibility system can these demands be met. This cannot be doubted. Yet in many of our enterprises, so far the plant chief responsibility system is still only nominal and in reality the plant chief cannot enforce his orders, and does not have the necessary power of authority. Management has a low efficiency rate while the economic benefits are at a low level. Why is it difficult to implement the plant chief responsibility system? The reasons are: First, the plant chief cannot definitely, or for sure, exercise the power which should be his, because of faulty or insufficient coordinating work done in the reform. Even though power has clearly been given to the plant chief in the regulations, in using it the plant chief still meets with various kinds of impediments. In decisionmaking, people at meetings may request that a matter be "further studied" or "reconsidered". No decision may then be taken and the matter will just be laid aside. Second, the plant chief is himself not exactly clear about his power and authority. He may have the power but does not know how to use it and he may even use his power wantonly. He incurs no economic responsibility or legal responsibility for poor operations or management. Third, due attention has not been given to the plant chief's interests. It would be just the same whether he had done a good job or a bad job and his personal interests are not in any way related to the economic benefits of the enterprise. An unwritten law is that the plant chief's bonus cannot be higher than that of the production worker. Under such circumstances, the plant chief can only wave his hand and disregard knotty problems or disputes in decisionmaking. The plant chief responsibility system is just nominal and has no substance. How is it possible to talk about operations, development, and competition?

Enforcing the system of leasing creates an entirely different atmosphere. Not only are the plant chief's power, responsibilities, and interests stipulated and fixed by law but also the special features of leasing operations are prominently manifested and the plant chief, on the one hand, represents the owners' wishes in managing the plant, and, on the other hand, runs the plant at the risk of the individual. Hence, from the start, leasing removes the interventions from all sides and since the risks are borne by the individual lessee, everybody will naturally retreat to the position of only a "councillor." No intervention will come from any side. Only by so doing can the plant chief assert his authority and talents and display his wisdom. Before leasing began, 31 of the 150 staff at the Shenyang Motor Vehicle Gasoline Pump Plant were in the category of managing personnel. When the plant chief wanted to draft a worker he had first to put the matter up for discussion at a meeting of the CPC branch committee. Such an over-staffed and poorly managed structure, and such backward and irrational

management methods rendered the plant chief unable to accomplish anything in his 3 years of tenure in office. He could only watch the situation steadily deteriorating. However, the same plant chief, want managing the same plant under the leasing system, wielded real power. He sacked 10 of the managing staff and formed a new team which conformed with the requirements of managing a small enterprise. The plant chief's responsibility system, featuring effective orders and command, quick decisionmaking, and high efficiency, was realized and in only 6 months, the same plant extricated itself from the situation of being on the verge of closure and a new situation of continuous stream of customers and doubling of profits appeared.

## 2. Leasing arouses the initiative of the operators.

The "Decision of the CPC Central Committee on Reform of the Economic Structure" pointed out. "The well-spring of the vitality of the enterprise lies in the initiative, wisdom, and creativeness of the workers by hand or brain." Concretely speaking, it is the initiative of the operators and the producers that counts. In recent years, there has been much talk about coordination of the interests of the state, the enterprises, and the staff members and workers. In particular, this revolved around the theme of paying due regard to, and making sure of, enlarging the decisionmaking power of the enterprise and the interests of the enterprise and the staff members and workers. But very few people have ever mentioned the interests of those who run the enterprises. Rather, the interests of the enterprises have been mixed in a general manner in the interests of the staff members and workers. As a result, those who run the enterprises have received few or little rewards, though at the same time no heavy punishment, and the enterprise itself lacked momentum internally and pressure from the outside. The low initiative of the operators is one of the important causes affecting the vitality of the enterprise.

The interests of the operators should not be ignored, because the operators have a special status in the enterprise. Under the conditions of a commodity economy, it is possible that the labor outlay of the workers does not conform with the labor results. If the products of labor are not wanted by society, then no matter how much and how good the labor expended thereon, it would still have been in vain. The labor or work of the operators has a bearing on whether or not the labor outlay of the entire enterprise can attain the corresponding economic results. If the operation and management are of a poor caliber, in the end both the state and the workers cannot derive any benefits. Leasing operations are successful because they can basically cure a chronic disease of a prolonged duration, namely that the intimate interests of the operators and the economic benefits of the enterprise have no direct relations to each other. Now, under a leasing agreement, the duties, power, and interests of the lessee are linked together and protected by means of a legal procedure. His inner motive power--the wish to expand the sales volume, lower the cost of

production, and increase profits--has not been generated by administrative orders or mandatory planning, but has its source in a unanimity between his self-interests and the interests of the collective and interests of the state. If an enterprise makes the wrong decision, the economic losses have to be borne by the lessee himself. It is precisely this pressure, this relationship of dependence on the interests of the enterprise, that forces the operator to do the utmost to learn, to seek, and to finalize measures to put the enterprise in good shape, so as to banish the "dark shades" of various kinds of relations and to banish practices of making profits at the expense of the state. The plant chief of the Gasoline Pump Plant cited a convincing example as follows: A certain plant doing processing jobs on springs for the gasoline pump plant invited the plant head to dinner, hoping thereby to obtain his consent to increasing the processing fee by 1 fen on each item. The plant head at once rejected this "kind invitation," with the remark, "Raising the fee by one fen per item means that on 100,000 items for the year the plant will have to spend 1,000 yuan more and that at the end of the year my income will be reduced by 300 yuan. This is equivalent to paying 300 yuan for your meal on my part. I won't do such a silly thing which harms the state and myself!"

### 3. Leasing means enforcement of the policy of appropriately separating ownership right from operation right.

In the current era, the demands of society are extremely complex and are constantly changing. The enterprises differ vastly from each other in environment, their economic relations with each other being extremely complex and complicated. Hence, it is difficult for any government organ to have a timely and complete grasp of these conditions and all the more difficult to swiftly and correctly handle the various kinds of problems which may arise among the enterprises. If all enterprises are under the direct control and management of state organs, then it is hardly possible to avoid the growth of a serious state of subjectivism and bureaucratism. For this reason, the 3d Plenary Session of the 12th CPC Central Committee decided that the ownership right and operation right of an enterprise should be suitably separated from each other. Giving the operation right of an enterprise to an individual by means of a lease separates the ownership right from the operation right and is a good way of giving life and vitality to the enterprise. The owner of an enterprise leased to the individual or collective for operation and management may, upon expiration of the lease period and according to his needs, continue to lease out the enterprise or take back the right to operate it. Thus, the ownership right is not changed, the form of operation is flexible and the enterprise can be kept under control and its vitality can be ensured. Leasing operations bring to the operators three different types of changes: First, the operator appears in the capacity of the lessee. As provided in the lease agreement, he has the full decisionmaking power in organizing production and management, and both the authority and status of the plant chief are elevated. Second,

the investment risks are shifted from the owner of the enterprise to the operator. By so doing, the basic interests of the state are ensured. At the same time, enormous pressure is exerted on the operator, coordinating and uniting the interests of the owner and those of the operator through a common concern for the economic benefits of the enterprise. Third, the power, responsibilities, and interests of the operator are protected by law. During the lease period, the operator has no concern at all with whether or not there will be policy changes and does not need to study "counter-measures." All he needs is to rack his brain to set up a set of operation and management methods suited to the enterprise so as to ensure the marketability of the products and profits for the enterprise. Upon assuming his post, the plant chief of the Shenyang Motor Vehicle Axles Plant immediately set to work reforming the distribution system, abolished the 8-grade salary and wages system, and enforced four systems of wages inside the plant: Production workers to be paid according to timework or piecework, subsidiary workers to be paid according to job positions, management cadres to be paid according to functional salaries and workers in the important departments (supply and marketing) to be paid according to contractual salaries or wages. This thoroughly broke with the enterprise's internal practice of "everybody eating from the same big pot," and disallowed the continued existence of the phenomenon of equal treatment for good or poor performances. It happened that in this plant there was a worker against whom, during the plant's several years of depression, several plant chiefs in succession could do nothing. Following enforcement of the leasing system, the worker continued to behave as before. In consequence, he was dismissed by the plant chief. Subsequently, the worker, bringing along his father, wife and children, came to the plant several times begging for reinstatement, promising that he would behave better and work well. The worker is now working with great enthusiasm. His monthly income has come to about 150 to 160 yuan. He was genuinely convinced that formerly he was in the wrong and was pleased to find out that working faithfully and well would bring real benefits to the enterprise and the individual.

#### 4. Leasing helps in selecting superior cadres who are virtuous and talented.

In building a modernized enterprise, it is necessary to select enterprise management cadres who have modern economic and technological knowledge and the spirit of innovation and who are brave in creation and capable of opening up new situations. In the past, our selection of cadres frequently relied on materials in the files, views and reflections from the populace, and the leadership's impressions, to judge whether a cadre was capable or not. This method sought to understand the cadre from the static state; it suffered from rather serious limitations and proved extremely difficult to find out the cadre's organization and leadership ability, whether or not he was devoted to his work, and if he had a progressive spirit and creative

capability. It could not denote the cadre's social capability, or his ability to express himself verbally or in writing. It frequently happened that really talented persons were missed out while many mediocre persons were selected. As a result, some enterprises, despite frequent changes in leadership, have retained the same backward countenance. In leasing operations, selection of talent is done by public bidding. It seeks to know about the cadre in a dynamic state and breaks with the various traditional concepts and methods by which cadres were originally employed.

Under the leasing system, first, at the time of the registration of the applicants, through directly interrogating and interviewing them, a general impression and direct assessment is gained. Following this, the applicants are permitted to spend a week studying and learning about the plant, and writing out their ideas on ways to run the plant. From this it is possible to discern their ability to perceive and understand objective reality and to analyze and solve actual problems. Finally, an examination committee composed of experts will interview and further question the candidates. By means of the interviews, aside from learning the extent, width and depth of their knowledge, it is possible to know about their way of thinking, the degree of their sensibility to contingencies, their ability to handle problems quickly, and naturally how they can express themselves orally and in writing. After a comprehensive examination on the applicants' various capabilities as mentioned above, the best ones are selected and subjected to political assessment. Thus, through a series of tests and assessments, it is possible to obtain a good overall picture of the applicants in respect of their virtues and talents and to make the best selection. In the process, it is not necessary to both about the problems of equalization in the employment and use of cadres, nor is it necessary to make special arrangements, which would smack of favoritism, for any one person. Above all, there is no problem of anybody effecting an entry into the organ "through the back door." As for the successful applicant, since he has already made a survey of the conditions of the plant and submitted his views on running the plant, he can set to work immediately upon assumption of office. As a result, soon after the successful applicant has taken over, the plant is at once surrounded by a new atmosphere.

##### 5. Leasing can make rational use of talented people.

Due to the drawbacks in the former system of allocation and distribution of college students and graduates, medium-sized and small enterprises in our country have not been assigned any college graduates for a long time and only very few graduates of middle schools or special technical institutes have been assigned to them. This has brought about a shortage of technical personnel and people who are well-versed in management know-how in medium and small enterprises. On the other hand, in large enterprises, particularly in the war industry departments and in the technology-intensive industries and trades, there seems to be an oversupply of talented people.

Leasing requires the selection of men of strong ability. Once the right selection is made, the small enterprise is invigorated and can display its power. The Shenyang Motor Vehicle Industrial Corporation was fully aware of this. When leasing out the second batch of 10 enterprises, it invited tenders directly from society at large, side-stepping the restrictions imposed by the departments, industries, and trades. Out of the 10 enterprises, the plant chiefs of six of them were chosen from circles outside the original staff of the corporation.

The Shenyang Bakelite Gear Manufacturing Plant originally had only one assistant engineer on its payroll--graduate of a middle-grade specialized school. For a long time, the plant had been weak in technical strength. Although its products had a good future, the plant itself was unable to achieve much development. All along, its production and technical skill had fallen behind. Subsequently, it invited tenders for leasing and took in three engineers versed in machine-building, electrical machines, and chemicals. As soon as they took over, they discovered that many of the plant's techniques in production and artcraft were backward and should have been discarded long ago. In only 2 months, they borrowed more than 0.7 million yuan for the plant to introduce new technologies. Although they encountered some difficulties in the problem of personnel, they were determined to stay on in this small plant despite its generally poor conditions and hard and tedious work. They said: "In this small plant, we can make use of our expertise and display our strength. When we see that our efforts can bring technological progress to the plant, we feel a deep sense of satisfaction in our work."

### III [roman three]

In experimenting on the leasing system, the Shenyang Motor Vehicle Industrial Corporation has attained outstanding results but it still has certain problems in theory and in practice which deserve our study. They are:

#### 1. Relations between the lessee and staff members and workers in a leased enterprise.

In a leased enterprise, the original understanding is that the plant chief is the head of the plant and is at the same time the lessee. This dual capacity and status of the plant chief puts him in a somewhat delicate position vis-a-vis the staff members and workers and brings about changes in the relationship between him and the staff members. Some workers have half-jokingly called the plant chief their "boss" or "proprietor," with the implication that they are "working for him."

How should we treat such a relationship? Some people hold that leased enterprises are the same as non-leased enterprises. They contend that a plant chief is "representing the legal person" and is endowed with full power and responsibility to direct production and to exercise

unified leadership over operation and management of the entire enterprise. The workers representatives congress which represents the rights and interests of the staff members and workers still examines the important policies of the enterprise, discusses and adopts the various management systems of the plant, and decides on the welfare benefits of the staff. Hence, there is no difference in the relations between the lessee of a leased enterprise and the staff of such an enterprise and the relations between the plant chief and the staff of a non-leased enterprise. But there are people who hold to the contrary. They claim that since the plant chief is not appointed by the state and is not elected by the workers, his operation and management power is not given to him by the state but is leased to him through his payment of a rental. Hence, in the event of profits, the profits are his and in the event of losses, the losses are also his. The workers representatives congress has no power to decide on the policies of the enterprise and is all the more powerless to recommend reward or punishment to, or appointment or dismissal of, the plant chief. Therefore, the relations between the lessee and the staff in a leased enterprise are vastly different from the relations between the plant chief and the staff in a non-leased enterprise.

We hold that in leased enterprises, great changes have taken place in the relationship between the lessee and the staff. First, power has gone through certain changes. The plant chief's power has been relatively increased while the power of the workers representatives congress has relatively decreased. All the decision making power is vested in the plant chief while the workers' representatives congress has only the power of recommendation but no power of decision. Second, the contents of the production relations have undergone changes. Concerning the plant chief and the staff, not only are they comrades with the common purpose of struggling to realize the "four modernizations," but they also have definite and intimate economic relations with each other. The plant chief has the power to decide on the form of distribution and the distribution amounts and the staff, entrust their individual income to the person of the plant chief. Third, psychologically speaking, there are changes as well. The plant chief feels after all that the burden on his shoulders is a heavy one. No longer can he behave as before, blaming god and man, or stressing the objective and doing nothing but being contented with the present. He feels that if the enterprise goes wrong, not only will he become bankrupt but the whole staff of the plant will follow in his wake and become impoverished. Hence, he must be responsible to the staff and must figure how to earn more for the enterprise. As for the staff, they feel that the plant chief is the head of the plant. It won't do if they themselves do not perform their jobs well. All this illustrates that the relations between the lessee and the staff are both contradictory and unified. The contradictions are more outstanding than those found in enterprises which are not leased, while the unifications are much tighter than those in unleased enterprises. Some people like to ignore the contradictions between the lessee and the staff. They can

see only the unity but ignore the contradictions. This is not objective or comprehensive enough. In reality, only in these contradictory and unified relations can the enterprise develop with full vitality and briskly. Therefore, the study and correct handling of these relations of contradiction and unification constitute precisely an important problem that we workers on economic theories must redouble our efforts on.

2. How to determine the rental price (called the amount of rent but let us call it rental price) of a leased enterprise.

The basis for determining the rental price of a leased enterprise is a problem that must be handled scrupulously and with great care at the time of carrying out the leasing agreement. In the event of an incorrect basis or irrational computation, the rental price cannot be correctly determined and it will be difficult for the leasing operation to attain a normal development.

When experimenting with leasing operation, the Shenyang Motor Vehicle Industrial Corporation called the rental price "basic rent." Their basis for determining the "basic rent" is the "net value of the fixed assets of the leased enterprise in the base period and its technological and economic conditions." If the enterprise has good technological and economic conditions, the basic rent is high. Conversely, it will be low. They further stipulate that the "basic rent will rise proportionately with the profits." If the profits are 1 million yuan and the basic rent is 100,000 yuan, when the profits rise to 1.5 million yuan, or an increase of 50 percent, then the basic rent will be increased by 50 percent, that is, increase of 50 percent, then the basic rent will be increased by 50 percent, that is, increased from 100,000 yuan to 150,000 yuan. However, should the profits fall or should there be a loss, then there is no reduction in the basic rent. Even in the case of bankruptcy, the lessee will have to pay the amount of the basic rent just the same.

Is this basis scientific? Are the computations rational? Opinions differ. Some hold that the basis is scientific enough, because enterprises differ in their technological and economic conditions and can create different amounts of profits and bring to the lessee different economic benefits. They also contend that the computations are rational, because during the lease period, the lessee uses state loans and the self-owned funds of the enterprise to carry out technical transformation, introduction of technologies, development of products, and so on. This inevitably brings about a continuous renovation and increase in the fixed assets. All this will undoubtedly enable the enterprise to increase its economic benefits, but this cannot be ascribed solely to efforts made by the lessee himself. Hence, the amount of the rental should be increased. On the other hand, some people hold that this kind of basis does not comprehend the entire economic contents of the enterprise; hence, this method of computation is not sufficiently scientific and is not rational enough.

In our opinion, the basis for determining the rental price should be: First, the original value of the fixed assets of the enterprise and the degree of their being new or old. This is because in the past in our country, the depreciation rate used for fixed assets was neither unified nor rational and at the same time the utilization rate and repair and maintenance of the fixed assets were not the same. This has brought along the phenomenon of the net value being low but the maintenance rate still being high and of the net value being high but, because of wanton use in the past and poor upkeep, the maintenance rate being rather low. Therefore, to take the net value as basis for computation is not suitable. Second, the amount of circulation funds taken up by the enterprise. This is because an increment in funds applies not only to fixed assets but also to circulating funds as well. Moreover, because of the generally slow turnover of funds in industrial enterprises in our country, a rather large amount of circulating funds is held up by the enterprises. Third, the state of the major economic targets of the enterprise being high or low, such as the profit rate of funds, per-capita profit-making rate on the part of the staff, coefficients of the grades of products, and so on. All of these are major factors to rely on in measuring whether the current economic benefits of the enterprise are high or low. Fourth, the state of whether or not the products turned out by the enterprise are selling briskly. This provides the key to measuring whether or not the enterprise possesses vitality and prospects for development. The first two conditions above are roughly equivalent to the basis mentioned by Marx as the "absolute land rent," but the latter two conditions are about equivalent to the basis mentioned by Marx as the "grade differential land rent." Only in joining the two sides together can there be a relatively complete basis for determining the rental price.

Regarding the computation of the rental price, we believe that we should, using the basis for the rental price, calculate a fixed rental price; and on the basis of this fixed rental price, the lessee annually pays a fixed rent. The amount of the rent should not grow along with the growth of the profits of the enterprise. In the history of our country, there was once the "system of permanent tenancy," vehemently disallowing the imposition of a "rent increase in order to seize the tenancy," but allowing the lessee to boldly make further investments and expand the graded differential benefits. We should follow this precedent. As for the enterprise benefits derived from the enterprise making use, during the lease period, of state loans and self-owned funds to increase the renovation of the fixed assets, and benefits derived from improved management, a portion of them should be delivered to the state in the form of taxes, a portion should be retained by the enterprise so as to increase its ability to undertake self-transformation and self-development; and a portion should be awarded to the staff as bonus. The lessee's earnings should also be suitably increased.

### 3. How to determine the benefits of the lessee.

Scientifically and rationally determining the benefits to the lessee is the key to ultimately determining whether or not leasing operations can develop in a healthy manner. If the benefits are too little, it will be difficult to arouse the initiative and enthusiasm of the lessee, since nobody will be willing to take the risks. Contrarily, if the benefits are too high, say, if in a year, the lesser can earn 10,000 yuan, or 100,000 yuan, or several hundred thousand yuan, then leasing operations would be led astray. Hence, we must proceed with caution.

In our opinion, the lessees should be given more benefits. This is because they are leaders and organizers in creating wealth for the enterprise. Without their meticulous calculations, correct directions, and rational organization, the wisdom, initiative and creativeness of the staff can scarcely be brought into full play. Hence, to give them certain renumeration is natural and within reason. However, we also hold that in a socialist society the lessee operates without the use of self-owned means of production but with the use of means of production owned by the state or the collective. Hence, his income should be restricted by certain factors. For example, it should change in proportion with the delivery of profits and taxes to the state, with the level of the retention of profits by the enterprise, with the income level of the staff of the enterprise, and so forth. By so doing, the lessee's benefits are unanimous with the interests of the state, the enterprise, and the staff. At the same time it is necessary to widen the disparity somewhat but not too much, otherwise there will be untoward consequences that are outside our expectations.

Aside from the three problems mentioned above, opinions also differ on the question of the similarity or dissimilarity between leasing operations and contractual operations. Some people hold that though it is called leasing, the system in reality is individual contracting of a relatively higher form. On the other hand, some people believe that the two are really different from each other, contending that in leasing operations, the lessee has to pay rental and is solely responsible for profits and also for losses and that right, responsibility, and interest are solemnly fixed, there being also guarantees for their realization. On the contrary, under the economic responsibility system, it is really impossible to guarantee that the operator is responsible for the losses and profits. But can the lessee really be responsible for losses? The lease agreement provides that the properties of the lessee and of the grantors should be used as security and that in case of failure to fulfill the target and in the event of losses, the individual is responsible for making up the differences. Although these provisions have gone through a regular legal procedure and possess legal effect, yet, after all, state cadres are "proletarians." They have no "capital" and possess little or no properties. Even though their whole properties are disposed of, the proceeds are hardly sufficient to compensate the losses of the enterprise. Moreover,

at present, our country has no bankruptcy laws applicable to enterprises or individuals. Once a problem of this kind occurs, it can hardly be solved. In regard to this problem, what the Shenyang Motor Vehicle Industrial Corporation did was to insert a clause in the lease agreement providing that "if Party B (lessee), because of poor operation and management, should be unable to create a new situation and improve the economic benefits, with detrimental effects on the operations of the outfit as a whole, Party A (lessor) may terminate the agreement." Again, for example, if the lessee's income is increased or has attained a substantially high level, should the individual income tax be levied on him? However, in our country at present, the "individual income tax law" contains no provision for levying tax on the incomes of lessees. In the case of lessees of the Shenyang Motor Vehicle Industrial Corporation, when they have relatively higher incomes they resort to such actions as "sponsoring" and "making contributions."

All these theoretical problems, policy problems, legal problems, and so forth, are new problems which have emerged in the course of the development of the reform of the economic structure and the leasing system. We cannot, because of these problems, hesitate in moving forward and stop the experiments on the leasing system, but should seek to solve them gradually in actual practice so that the leased enterprise can develop in a healthy manner and so that a new road can be found to revitalize the small enterprises under socialism.

CSO: 4006/64

NATIONAL POLICY AND ISSUES

HEALTHY RURAL, SMALL TOWN ENTERPRISES STILL NEED HELP

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 14 Aug 85 p 1

[Commentary: "We Should Continue To Help Rural and Small Town Enterprises Develop Healthily"]

[Text] We should continue to help rural and small town enterprises develop healthily, because this question involves the employment of many people. Our society has been stable all these years because we have had a high employment rate. Had everyone been looking for a job, then there would have been trouble. So we should not see only small contradictions while forgetting major contradictions. These words sum up the status and role of rural and small town enterprises in the national economy and especially the dialectical relationship between the development of rural and small town enterprise and the issue of employment. Therefore, they deserve our serious thought and thorough study.

Since last winter, there has been a variety of opinions about--and even open criticism of--rural and small town enterprises because of their unexpectedly rapid development. True, there are some problems in the development of rural and small town enterprises, and some of them are quite serious. But all these are problems encountered along with progress, and as long as we steer a cautious course, continuously analyze and review experience, explore our way forward, combine development with consolidation, combine enterprises' expanding extensive reproduction along with intensive development, combine quantity with quality, combine enterprises' economic results with social economic results, then rural and small town enterprises will surely be able to develop continuously, steadily and harmoniously. We should never criticize absolutely or even reject rural and small town enterprises because there are some problems in their development. We should not adopt the kind of metaphysical viewpoint of "giving up eating for fear of choking." We should regard rural and small town industry as positive: it is an issue of comprehensive significance; it has become an important pillar of the national economy; and it serves as an important channel for disposing of surplus labor force in the countryside. And especially due to our huge population, a large surplus labor force emerges every year. If this surplus labor force is not employed, stability and unity will be affected and instability will occur.

This is an issue that concerns the overall situation, and how we look at an issue and what we do should all serve this overall situation.

Firmly grasping this overall situation, the CPC Central Committee and the State Council regard urban and rural employment as a prime issue. In the past few years, the central authorities formulated the principle of relying on the combined efforts of the state, the collective and individuals to solve the problem, and did much work to arrange employment for both urban and rural personnel. From 1978 to 1983, state-owned and collective enterprises employed more than 15 million people. During the same period, a surplus labor force of more than 32 million people was employed by enterprises at the township and village levels. By the end of 1984, township and village enterprises, cooperative enterprises, combined household enterprises and individual enterprises had employed a surplus labor force of more than 52 million. The achievements of rural and small town enterprises in absorbing surplus labor force in the countryside sufficiently demonstrated the great vitality of rural and small town industry.

Our is an overpopulated country with limited cultivable land. Since the founding of the People's Republic, due to natural population growth and the expansion of construction, arable land has been decreasing, and in the countryside the area of farmland per unit of labor power has been reduced from 9 mu right after the founding of the People's Republic to 4 mu at present. Since the responsibility system was introduced in the countryside, the productive enthusiasm of peasants, which had been held back for a long period of time, burst forth, thus producing a large surplus labor force. An investigation of typical cases show that there is at minimum a surplus rural labor force of more than 100 million people. Ours is a socialist country and on the question of disposing of surplus rural labor power we should never slip into the old rut of the capitalist countries, which made peasants bankrupt and then drove them to the cities, nor can we rely on the state to establish more state-owned enterprises to solve the problem. Developing rural and small town enterprises and absorbing the large volume of surplus rural workforce right in the countryside have proved in practice to be a way of "leaving the soil but not the countryside; and entering factories but not cities," which added new content to the construction of socialism with Chinese features.

At present, besides the surplus labor force that has been employed by rural and small town enterprises, there is still a large surplus labor force which needs to be employed. The only way to arrange for their employment still relies on "leaving the soil but not the countryside; and entering factories but not cities." Therefore, helping rural and small town enterprises to develop vigorously is imperative under the current circumstances. We should never falter even a tiny bit because of various problems which have arisen in the course of the advance of rural and small town enterprises.

12974  
CSO: 4006/941

PROVINCIAL AFFAIRS

RADIO COMMENTARY WELCOMES CENTRAL DELEGATION TO XINJIANG

HK080025 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 29 Sep 85

[Station commentary: "Kind Attention and Immense Encouragement, Welcome the Central Delegation"]

[Text] Millions of people rejoice today at the arrival of the central delegation headed by Wang Zhen, which will celebrate the 36th anniversary of the founding of the state with the region's people of various nationalities. The delegation will also join in the region's activities in celebrating the 30th anniversary of the founding of the region.

The arrival of the central delegation greatly encourages the region's people of various nationalities, and greatly promotes the region's undertakings. We extend to the central delegation, headed by Wang Zhen, the assurances of our highest consideration. We also extend heartfelt thanks to the CPC Central Committee and the State Council.

Since the founding of the region 30 years ago, Xinjiang Uygur Autonomous Region has, under the correct leadership of and with the concern of the CPC Central Committee and the State Council, made remarkable achievements in its large-scale economic and cultural construction. The results have also been achieved because of the great support of the fraternal provinces, cities, and regions and because the region's people have carried forward the spirit of building up the country through thrift and hard work. Now, the whole region is full of vitality and the people of various nationalities are filled with joy. A socialist Xinjiang which has attained primary prosperity is rising in the western part of China.

Our practice over the past 30 years has shown that the CPC is an authentic representative of the interests of the people of various nationalities. The leadership of the Party is the fundamental guarantee for the socialist modernizations. Without the CPC, there would be no new China nor would the region's people of various nationalities be able to stand up and enjoy happiness. While receiving the central delegation, we must further closely rally around the CPC Central Committee and unswervingly implement the Party's line, principles, and policies. We must unite together and stride forward.

We must strive to fulfill, by the turn of the century, the goal of increasing the annual gross industrial and agricultural output value by 5 times [Fan Liang Fan Ban 5064 0357 3972 0584] and build this beautiful region into a more beautiful and prosperous area.

PROVINCIAL AFFAIRS

HUBEI REPORTS INCREASE IN URBAN, RURAL INCOME

HK070741 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 1 Oct 85

[Excerpts] In the wake of the continuous, steady, and coordinated development of the national economy, during the sixth 5-year plan period, the living standard of the people in the urban areas in our province has been markedly enhanced. Over the past 5 years, due to the fact that the labor force in the urban areas has been fully employed, wages have been readjusted, and some trades have implemented the piecework wage system and restored the reward system, the per capita income of the worker households in the whole province in 1984 reached 588 yuan. It is estimated that it may increase to 705 yuan in 1985. It is estimated that it may increase to 705 yuan in 1985, which will be 65.1 percent more than in 1980. The per capita income has increased by an average of 10.5 percent a year. With the increase in commodity prices taken into consideration, the per capita income has increased by an average of 6.95 percent a year.

Over the past 5 years, the consumption structure of the worker households in the urban areas throughout the province has undergone a marked change. Their per capita living expenses in 1980 were 411 yuan and they increased to 529 yuan in 1984. Over the past 5 years, the housing for the workers in the urban areas in our province has improved a great deal. The per capita housing area of the worker households increased from 4.67 square meters in 1980 to 6.83 square meter in 1984, an increase of 46.25 percent.

According to the data recently provided by the provincial statistical bureau, during the sixth 5-year plan period, peasants' income in our province has continuously increased. The per capita net income of the peasants throughout the province in 1984 reached 392.3 yuan, an increase of 222.3 yuan, or 130 percent, over 1980. The per capita net income increased by an average of 55.6 yuan a year. The main reasons for the increase in peasants' incomes are: 1) Production has developed. 2) The procurement prices of agricultural and sideline products have been readjusted, which has actually benefited peasants.

CSO: 4006/57

PROVINCIAL AFFAIRS

MEETING OF SUPPLY, MARKETING COOPERATIVE DIRECTORS HELD

SK020131 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 14 Sep 85

[Excerpts] On 14 September, (Li Meifeng), deputy director of the provincial federation of supply and marketing cooperatives, announced this year's provincial cotton purchasing and marketing policies at a meeting of directors of the prefectural, city, and county supply and marketing cooperatives. He called on the cotton business departments of various localities to act in accordance with the state policies and to do a good job in this year's cotton purchasing, processing, marketing, and storing work.

(Li Meifeng) said: This is the first year in which our province has purchased cotton by orders. According to statistics compiled by the agricultural departments, this year our province has sown more than 12.4 million mu of cotton and the total output is expected to reach some 1 billion jin. The state cotton purchasing task is 1.285 billion jin. All localities should purchase cotton in a timely manner in strict accordance with the amount set in the contracts signed with peasants and should fulfill the contracts.

(Li Meifeng) said: In line with the guidelines of the documents of the relevant state departments, the provincial government has stipulated that in the future the amount of cotton needed by the provincial cotton textile enterprises must be harvested and bought in the province. If the quantity and quality of the cotton cannot meet the needs, then they may buy cotton from other localities within the province under their plans. Factories should not buy cotton from outside the province, and also not directly from peasants. The supply and marketing cooperatives in various localities should conscientiously strengthen the management of cotton in line with this spirit and in a planned way. They should take the initiative in strengthening ties with the cotton delivering units, make the delivery and supply plans dovetail, organize the planned purchases well, and provide all kinds of services and conveniences to the industrial departments.

CSO: 4006/57

PROVINCIAL AFFAIRS

PROVINCIAL RALLY TO COMMEND RADIO, TV WORKERS HELD

SK070501 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 6 Oct 85

[Excerpts] From 5 to 6 October, the first provincial rally of representatives of the advanced radio and television broadcast workers and collectives was held in Harbin. This rally of the representatives of outstanding workers was the first of its kind on the province's radio and television broadcast front since the founding of New China.

The rally commended and awarded 38 advanced collectives and 139 advanced individuals and recommended delegates for attending the national conference of advanced collectives and workers of the radio and television broadcasting departments.

This afternoon, Hou Jie, deputy secretary of the provincial CPC Committee and provincial governor; Chen Yuanzhi, vice chairman of the provincial People's Congress Standing Committee; Zhang Xiangling, vice chairman of the provincial Advisory Commission; Huang Feng, member of the Standing Committee of the provincial CPC Committee and director of the Propaganda Department; and Cai Qi and (Cao Kaifu), deputy directors of the Propaganda Department, represented certificates of merit to the advanced collectives and individuals on the province's radio and television broad front. (Zhang Fuquan), deputy director of the provincial radio and television broadcasting department, gave a closing address. He expressed the hope that all representatives would make new contributions to developing the province's radio and television broadcasting undertakings in the future and would report more outstanding achievements to the party and the people.

CSO: 4006/57

PROVINCIAL AFFAIRS

HEILONGJIANG MEETING ON DEALING WITH ECONOMIC CRIMES

SK071430 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 3 Oct 85

[Text] The documents presented to the work conference on dealing blows to serious economic crimes sponsored recently by the provincial CPC Committee, revealed that the crimes and activities violating the law in the economic circles throughout the province have been quite serious. All of them have constituted a very serious problem that adversely affects the drive of conducting economic reforms and damages the program of building the socialist economy. The provincial CPC Committee urges the localities throughout the province to adopt powerful and effective measures to resolutely and successfully deal blows to serious economic crimes by regarding the struggle in this regard as an important task that brooks no delay.

At the work conference, the leading personnel of the provincial CPC Committee pointed out: At present, the crimes and activities against the law in the economic circle throughout the province have become more and more prominent. With regard to such a serious problem, the leading personnel of a large number of localities and the comrades of the departments in charge of this work have not understood sufficiently well the importance of the problem and have not adopted effective measures to deal blows to these crimes.

In order to meet the current new situation, the provincial CPC Committee urges the party and government organs at all levels and the leading personnel of the departments concerned to have a clear understanding regarding the current serious crimes in the economic circle and to deepen the struggle against serious economic crimes by adopting powerful and effective measures. Criminal activities by which some have taken advantage of enlivening the economy and conducting reforms to directly cause damage to the transformation drive and economic construction should be regarded as the central target of the struggle, should be exposed in a timely manner, should be well investigated immediately, and should be punished strictly. In particular, some localities and departments that have incurred serious economic crimes should uphold the principle of giving strict and heavy punishment to the criminals and deal strict blows to them, without any leniency.

In their speeches, the leading comrades of the provincial CPC Committee stressed: Cadres who have knowingly violated the law or shielded the criminals should be dealt with strictly. Party-member cadres in higher posts or

positions of power who have committed serious crimes should be dealt with in line with the law. Through this struggle, efforts should be made to develop healthy trends and to resolutely block malpractices among the inner party cadres in order to further foster the glorious image of the party.

CSO: 4006/57

PROVINCIAL AFFAIRS

HEILONGJIANG ACHIEVEMENTS IN TOWNSHIP ENTERPRISES

SK030101 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT  
1 Oct 85

[Text] During the Sixth 5-Year Plan period, our province has rapidly developed township enterprises. Last year, the output value of township enterprises throughout the province reached 2.8 billion yuan, showing an increase of nearly 100 percent over 1980. This year, the total output value of township enterprises is expected to reach 3.8 billion yuan, greatly exceeding the target set by the Sixth 5-Year Plan.

Over the past few years, our province has grasped the development of township enterprises as a major strategic task of developing the economy of the province, greatly supported such development in terms of policies, funds, and technology, and gradually enabled the income from township enterprises to become one of the three economic pillars in the rural areas.

In the course of developing township enterprises, our province has promoted the experience of one contract and three reforms. The main aspects are: to change township enterprises from government-monopolized enterprises to locally-run enterprises; and to change the cadre system from one of appointment to recruitment and election. Such practice has given new vitality to the development of township enterprises. In order to speed up the development of township enterprises, our province has also greatly supported peasants to develop family-based enterprises. So far, the province, as a whole, has 250,000 enterprises run by the individuals or by groups of households. In the first half of this year, these enterprises created an output value of 730 million yuan, accounting for 35 percent of the total output value of the province's township enterprises.

CSO: 4006/58

PROVINCIAL AFFAIRS

COMMENTARY ON CAR INCIDENT

HK071358 Haikou Hainan Ribao in Chinese 3 Sep 85 pp 1, 3

[Commentator's Article: "Starting points for Exploiting and Building the Treasure Island"]

[Text] The enlarged meeting called by the Hainan Regional Party Committee Standing Committee, which was attended by principal comrades responsible for all countries, cities, and the units directly under the region, has come to an end. Under the guidance of the spirit of the enlarged meeting of the Provincial CPC Committee Standing Committee, from the high plane of keeping to the socialist orientation and persisting in the four cardinal principles, by drawing lessons from the car incident, and in line with the actual conditions related to different districts, departments, units, and individuals, the meeting thoroughly laid bare the problems and harmfulness of the car incident and found its real cause so as to draw lessons, further straighten out the guiding ideology for work, and make clear the principles guiding the development of the island. Finally, the meeting achieved satisfactory results as expected. It can thus be said that this was a meeting to conduct education in the party's spirit, workstyle, and discipline as well as a meeting to carry out reeducation in the party's line and policies, which carries a very deep significance for exploiting and building Hainan Island. This indicates that after summing up their bitter experiences, party members, cadres, and the masses of the island will, with a new leap in their ideology, surely brace up and work with one heart and one mind and with a will to create a new situation in the exploitation and construction of the treasure island under the guidance of control principles and policies formulated by the Party Central Committee.

To accelerate the exploitation and construction of Hainan island is the wish long cherished by the 6 million people of all nationalities throughout the island. However, how should we lead the people to march forward along the socialist road under the guidance of the correct principles for building the island? Looking back on the course we have pursued over recent years, we should keep firmly in mind the lessons drawn from carrying out the principles guiding the construction of the island.

Central document No. 11 points out: "The exploitation and construction of Hainan Island should be based on its own abundant natural resources, fully tapping its own potential and achieving better economic results so as to gradually build up an economic structure with the characteristics of Hainan Island." This clearly stipulates the guiding ideology for building our island and charts a correct course for building the beautiful, rich socialist "pearl in the South China Sea." Before the first half of 1984, we mainly implemented the spirit of the central document No. 11. At that time, we stressed the point that we should rely on the natural resources of the island, proceed from the actual situation in Hainan, develop industrial and agricultural production in a down-to-earth manner, and make efforts to develop transportation, energy, and other infrastructure. As a result, the whole situation in the island's economic construction was good and gratifying achievements were made in various fields of work. However, our guiding ideology started deviating from the right path in certain aspects in the second half of last year. This found expression mainly in the following: First, being divorced from reality, we unrealistically pursued a high growth rate in economic development; second, we laid undue stress on becoming prosperous by means of trade, earning more money, and taking "shortcuts," and we went so far as to illegally buy and sell foreign exchange and to resell large numbers of imported cars at a price. Consequently, we faced sudden collapse and made very serious mistakes. Accelerating the exploitation and construction of Hainan is no doubt quite reasonable. The problem is that, being divorced from the actual conditions in Hainan, we tried to run before we could walk, rushed things through to completion, and were eager for quick success and instant benefits. Historical experience merits attention. In implementing the principles for exploiting and building Hainan Island, should we earnestly develop industrial and agricultural production by relying on our own abundant natural resources, or should we seek to get rich by foul means such as reselling goods or imported goods at a price? Should we build up an economic structure with our own style in line with actual conditions, or should we unrealistically pursue high targets in economic development? Focusing on these problems, comrades participating in the meeting conscientiously summed up experiences and drew lessons. Finally, they held the consensus view that they should follow the economic law in economic construction, and that the meeting had inculcated in them a better understanding of the party line, enhanced their consciousness in carrying out the correct policy in building the island, and further set right their guiding ideology in work.

This year the Regional CPC Committee Standing Committee held three enlarged meetings to draw lessons from the car incident. Compared with the previous two meetings, the latest one achieved a new leap in understanding the incident as it thoroughly implemented the spirit of the enlarged meeting of the Provincial CPC Committee Standing Committee. It not only exposed problems related to the incident in depth and breadth, but it also approached the nature, cause, and harmfulness of certain problems from the high plane of keeping to the socialist

orientation and persisting in the four cardinal principles and from the high level of class struggle and the struggle between corrosion and anti-corrosion. The long existence of class struggle in a certain scope is an objective reality. Serious criminal activities in the economic sphere and the corrosive influence of capitalist ideology and life style are the major manifestation of class struggle under the new historical conditions of our socialist at the present time. Under the new situation of opening up to the world and enlivening the domestic economy, we must therefore be sober-minded. Not only should we oppose the concept of magnifying the class struggle, but we should also guard against the concept that the class struggle has died out.

The car incident has laid bare our serious problems in adopting an overall point of view, implementing the party's policies, observing discipline, enhancing party spirit, and cultivating the sense of the legal system, and it has also exposed the weak links existing in work of party organizations at all levels of the region in recent years. They find expression mainly in the following: our ideological and political work has fallen short of demands of the times, the effort to remodel the world outlook of cadres has been weakened, we are slack in combating the corrosive influence of capitalist ideology and life style, we do not have the necessary rules and regulations, and our management system is in disorder. All this teaches us that we must strengthen party leadership in exploiting our island, carrying out reform, and enlivening the domestic economy and we must improve party leadership through party rectification. We must carry out education in cultivation of lofty ideals and observation of discipline, resolutely work for building of the "two civilizations" simultaneously and strengthen political and ideological work. We must enhance the consciousness of party members and cadres in combating the corrosive influence of capitalist decadent ideas and life style. We must discard the bourgeois idea of money worship--"money is above everything else"--stop new evil tendencies, and conscientiously solve the problem of impurity in ideology, workstyle, and party organizations so as to build party organizations into a strong core in leading socialist construction.

We are convinced that the meeting will surely bring about a great improvement in various fields of our work and will make a new step and add a chapter to the annals of exploiting and building Hainan.

CSO: 4006/59

PROVINCIAL AFFAIRS

HEBEI PROVINCE'S ACHIEVEMENTS IN COMMERCIAL REFORM

SK081050 Shijiazhuang HEBEI RIBAO in Chinese 18 Sep 85 p 1

[Excerpts] During the Sixth 5-Year Plan period, our province's commercial departments have conscientiously implemented the principle of invigorating the economy and firmly grasped the reform in the circulation sphere. Encouraging changes have taken place in our province's commercial work. Since the beginning of this year, purchases, sales, and profit have increased by a large margin. The situation in which the state commercial units monopolized the whole market has basically changed. The number of collective and individual commercial units reached 340,000 and more than 760,000 people have been employed in these units.

Over the past 5 years, our province has developed more than 340,000 collective and individual commercial units with more than 760,000 persons working. The proportions of the retail sales of commodities of the various economic sectors have greatly changed. The number of state commercial units dropped from 42.6 percent in 1980 to 37.88 percent in the first half of this year. The number of collective commercial units accounted for 36.52 percent. And the number of individual commercial units rose from 0.8 percent in 1980 to 13.37 percent. The total value of products sold by the industrial units themselves rose from 770 million yuan to 1.4 billion yuan. This has given a rise to a new situation characterized by diversified forms of economy, more circulation channels and less links. The province as a whole has successively abolished more than 250 main stores and streamlined more than 1,800 management personnel. In addition, our province has delegated the management power of planning, business operation, pricing, finance, labor, and personnel affairs to enterprises at the lower levels and expanded their decision-making power.

So far, more than 3,480 small retail commercial enterprises throughout the province have become units owned by the state and run by the collectives and they have to pay taxes in accordance with regulations and have to hold responsible for their own profits and losses. More than 534 units have directly changed into units which have implemented the collective ownership system and are operated by the collectives. More than 157 units have been leased to individuals.

CSO: 4006/59

PROVINCIAL AFFAIRS

GANSU GOVERNOR RECEIVES JAPANESE DELEGATION

HK070847 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 3 Oct 85

[Summary] On the evening of 3 October, a Japanese prefectoral goodwill and trade delegation gave a return banquet in Lanzhou. The head of the delegation made a speech at the banquet.

He said: Our delegation has been warmly greeted by the people's governments of Gansu Province and Lanzhou City, as well as the masses of various circles. We shall bring this unforgettable friendship back to Japan so as to further develop the friendly relations between Sendai Prefecture and Lanzhou City and to promote the cooperation relationship between the two parties in various areas.

Then, Governor Chen Guangyi delivered a speech. He said: The visit of the delegation to the city over the past few days has played a positive role in developing the economy and improving the people's livelihood. We shall continue to adhere to the principle of opening up to the outside and invigorating the internal economy. Following the visit of the delegation, the economic cooperation between the province and the Japanese prefecture has been further promoted in such areas as compensation trade, technological transfer, and processing with imported materials. We warmly welcome the prefecture's entrepreneurs cooperating with the province's trades.

Before the return banquet was held, the leaders of the provincial government and the provincial government departments concerned discussed further economic and technological cooperation with some members of the Japanese delegation.

CSO: 4006/59

PROVINCIAL AFFAIRS

COMMERCIAL COMMISSION ESTABLISHED IN HARBIN

SK220511 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT  
20 Sep 85

[Text] The Harbin City Commercial Commission was established today, embodying the characteristic of separating the responsibilities and functions of governments from those of enterprises. The number of organs at and above the section level declined by 43 percent. The establishment of the Harbian City Commercial Commission is an important step in commercial reform of the city. It has been set up after six bureau-level units, including the Harbin City Financial and Trading Office, the First Commercial Bureau, the Second Commercial Bureau, and the Service Bureau, were abolished. It will serve as an administrative department for the Harbin City Government to lead and manage the city's social commerce.

The new commercial commission will strengthen overall guidance. It will change its past practice of direct intervention in enterprise operation into a practice of strengthening the macroeconomic control, its practice of attending to routine specific work into one of paying attention to long-term plans, and its practice of managing mainly the state commercial units into one of managing social commerce in an all-round manner and establishing and developing social unified markets. The commercial commission will take charge of all the social commercial units of the city regardless of their ownership, areas, and trades, and will exercise overall coordination and unified planning of markets from the viewpoint of the interest of the whole city and the economic area and the needs of the entire society. The number of the sections and offices under the new commission is 43 percent less than the original number. Cadres of the commission will be subject to a management system of fulfilling certain goals within a fixed term or tenure. Three months later, cadres at the section level of various bureaus will give speeches on their administration to define the goals to be fulfilled within their terms of office.

CSO: 4006/59

PROVINCIAL AFFAIRS

LIAONING ACHIEVEMENTS IN TOWNSHIP ENTERPRISES CITED

SK301702 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT  
29 Sep 85

[Excerpt] During the Sixth 5-year Plan period, particularly since the beginning of this year, our province has greatly developed township enterprises. So far, the province as a whole has more than 300,000 township enterprises, of which some 50,000 are enterprises run by townships and villages. Some 2.2 million persons are working in these enterprises, accounting for about 30 percent of the total rural labor force of the province.

Last year, the total industrial output value turned out by the province's township enterprises reached 5.89 billion yuan. In the first 8 months of this year, the total industrial output value of the province's township industrial enterprises reached 5.82 billion yuan. The total output value of the province's township enterprises accounted for 55.7 percent of the province's total agricultural output value.

The proportion of township enterprises in the rural economy as well as in the whole national economy is gradually increasing. Over the past 2 years, the whole province, from the higher to the lower levels has changed its ideology of discriminating against the township enterprises. Last October, the provincial CPC Committee and government made a decision on expediting the development of township enterprises. This year they also made a decision on learning from Jiangsu and gave a higher priority to the development of township enterprises. These decisions have enabled township enterprises to develop rapidly.

CSO: 4006/58

PROVINCIAL AFFAIRS

XINJIANG DEVELOPMENT, CONSTRUCTION DISCUSSED

HK300731 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 30 Sep 85 p 2

[Editorial: "Advance in Unity, Develop and Build Xinjiang--Celebrating the 30th Anniversary of the Establishment of the Xinjinag Uygur Autonomous Region"]

[Text] Tomorrow is the 36th anniversary of the founding of the PRC and also the 30th anniversary of the establishment of the Xinjiang Uygur Autonomous Region. We extend the warmest holiday greetings to the cadres, workers, peasants, herdsmen, and intellectuals of various nationalities and patriotic personages from all walks of life in Xinjiang and to the PLA military units stationed in Xinjiang, all officers and fighters of the Xinjiang Armed Police Force, and the staff and workers of the Xinjiang production and construction corps.

Situated in the northwestern region of the country, the Xinjiang Uygur Autonomous Region is an inseparable part of China's sacred territory and is China's largest region in terms of territorial area. The people of all nationalities in Xinjiang have a glorious revolutionary tradition. Over the last 5 decades or more, under the leadership of the CPC, the people of all nationalities in Xinjiang have made important contributions to winning victories in the new democratic revolution. Over the last 3 decades since the establishment of the autonomous region, under the correct leadership and kind attention of the CPC Central Committee and the State Council, the people of all nationalities in Xinjiang have united as one, worked hard and overcome difficulties, and won a series of historic victories in the great struggles for safeguarding the unification of the motherland, strengthening national unity, carrying out democratic reforms, implementing nationality regional autonomy, and developing Xinjiang's political, economic, cultural, and other construction undertakings. Since the 3d Plenary Session of the 11th CPC Central Committee, and particularly over the last few years, the party committee and government of the Xinjiang Uygur Autonomous Region have done much work and achieved great successes in leading the people of all nationalities in Xinjiang in implementing the party line, principles, and policies. Hence, there has emerged in Xinjiang a very fine situation in which political stability and

unity has further been strengthened, national unity has continuously been enhanced, economic construction and cultural development are expanding day by day, and people's living standards have been considerably improved.

The CPC Central Committee has always attached great importance to the work of Xinjiang. When a central leading comrade inspected Xinjiang in 1983, proceeding from the actual conditions of the objective trend of China's economic distribution pattern, he proposed that vigorous efforts be made to develop Xinjiang and the Great Northwest and build Xinjiang and the Great Northwest at large into an important base for China's socialist modernization program in the 21st century. This proposal based on the overall situation in China's economic and social development is bound to play a tremendous role in encouraging the enthusiasm of the people of all nationalities in Xinjiang. In order to implement the central strategic plans for developing and building Xinjiang, the task of prime importance facing the people of all nationalities in Xinjiang at present is to strive to do a good job in the work in all fields and to lay a more solid foundation for ushering in a stage of vigorous economic development.

To vigorously develop and build Xinjiang and to make a success of economic and other work, it is necessary to unwaveringly adhere to the ideological line of proceeding from reality in all tasks, integrating theory with practice, and seeking truth from facts; to go deep into the realities of life; to conduct investigation and study; to acquire a more profound understanding and mastery of Xinjiang's characteristics; and to make constant efforts to explore new ways of developing Xinjiang. We must see that Xinjiang has a vast territory and abundant resources and not lose sight of its disadvantages such as poor transportation facilities and a dearth of scientific and technical forces. We must see the great achievements Xinjiang has made in the economic, cultural, and other undertakings over the last 3 decades and not lose sight of the fact that compared with the advanced hinterland areas, Xinjiang still has a long way to go. Only when the region's characteristics are fully understood, the party principles and policies are integrated with its actual conditions, close attention is paid to the economic structural reform, and a good job is done in both invigorating the economy and opening up to the outside world can Xinjiang's work in various fields be persistently carried forward.

Economic structural reform is a profound revolution and an important guarantee for China's socialist modernization. Our great socialist motherland relies on reforms for its prosperity, as does Xinjiang. The only way to invigorate Xinjiang's economy, enliven Xinjiang's culture, and enable its people to become well-off as soon as possible is to bring into play Xinjiang's economic superiorities and resolutely and carefully carry out economic structural reform with focus on the urban economy, along with other reforms. From now on, on the basis of perfecting the output-related household responsibility system,

pastoral areas are required to further readjust the rural production structure. While paying close attention to the production of grain, cotton, and oil-bearing crops, it is necessary to give more prominence to animal husbandry and the production of melons and other fruit in order to make crop planting, melon and fruit gardening, and animal husbandry the three mainstays of Xinjiang's rural economy. In the course of economic structural reform, it is necessary to streamline administration, delegate power to the lower levels, increase the vitality of enterprises, improve their management, and give prominence to improving quality and economic results. Economic structural reform should be carried out in such a manner that it is beneficial to developing production, to increasing wealth, and to improving the people's standard of living. In short, we should proceed from Xinjiang's actual conditions, implement our policies and measures in a more open and lively manner, and blaze a trial suited to Xinjiang's development.

It is necessary to implement the policy of opening up so as to enliven the economy. Xinjiang should carry out the policy of opening to other provinces, regions, and municipalities directly under the central authorities, and carry out economic cooperation. In addition, it should actively implement the policy of opening to the world. Under the guidance of state laws and policies and on the basis of mutual benefit, it should carry out economic and trade cooperation with the neighboring countries, establish economic ties with West Asian countries, build a new "silk road," and introduce capital and advanced science and technology to Xinjiang in order to stimulate the development of its economy.

Talented people are an important factor for developing Xinjiang's economy. Xinjiang requires more and more technological personnel for its large-scale construction. Training talented people, particularly talented people of minority nationalities, is a top priority task. The fundamental measure for training talented people is to run education well. We should constantly improve our understanding of the importance of running education well and take intellectual exploitation and the work of training talented people of minority nationalities as the nucleus of the strategy for social and economic development. In running education in Xinjiang, various forms and methods are required. It is particularly important to do a good job in middle and primary school education. In addition, we should attach great importance to professional education, to developing university and technical school education, and to training teachers. We should lose no time in preparing a large number of talented people for the great development of Xinjiang.

As Xinjiang is a multinationality region, unity is a prerequisite and guarantee for building and developing Xinjiang. Over the past years, the autonomous regional CPC Committee and people's government have followed the CPC Central Committee's instructions on Xinjiang, seriously implemented the policy of regional autonomy on minority nationalities, and consolidated and developed a new relationship of

equality, unity, friendship, and cooperation between various nationalities in Xinjiang, thus ushering in the best historical period of national unity in Xinjiang. In Xinjiang, not only is it necessary to strengthen the unity between the Han nationality and minority nationalities, but it is also important to strengthen the unity between the Uygur nationality, which exercises regional autonomy, and other minority nationalities, and to foster a correct mentality of "one being inseparable from the other."

Xinjiang has a vast expanse of land, boundless grassland, and rich oases. It is also rich in mineral resources. The people of various nationalities in Xinjiang are hard-working, ingenious, and brave and love the motherland, the Communist Party, and socialism. Xinjiang has splendid prospects. We firmly believe that under the guidance of the party's correct line and with the support of the people of various nationalities in the rest of the country, the 13 million people of Xinjiang will advance in unity, will carry forward Xinjiang's economic and cultural construction, and will build Xinjiang into an important base for China's socialist modernization in the 21st century.

CSO: 4006/58

PROVINCIAL AFFAIRS

NEI MONGGOL STATISTICS ON WORKERS' LIVING SITUATION

SK020441 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT  
1 Oct 85

[Text] The new findings offered by the regional statistics bureau have indicated: During the Sixth 5-Year Plan period, along with the overall development of the industrial and agricultural production, the income of urban staff and workers in our region has increased by a large margin and their living conditions continue to improve. Some worker households have shifted their demands of daily consumer goods from quantity to quality.

The income of urban staff and workers during the Sixth 5-Year Plan period has registered the highest increase in the 5-year plan periods since the founding of the PRC.

According to a sample survey of worker households: Last year, the average annual per-capita income of urban staff and worker households reached 529 yuan, an increase of 124 yuan over 1981. The average annual per-capita income of staff members and workers in state enterprises reached 1,047 yuan, an increase of 208 yuan over 1980. Along with the increase of income, the consumption level of worker households has been improved. The average annual per-capita living expenses last year reached 480 yuan, an increase of 33 percent over 1980. The number of families with material difficulties whose monthly per-capita income was below 25 yuan was reduced by a big margin. The number of families whose monthly per-capita income was above 50 yuan accounted for 32 percent of the total urban worker families. Such big increases in income and consumption level of worker households during the Sixth 5-Year Plan period have never been seen in the past several 5-Year plan periods.

CSO: 4006/58

PROVINCIAL AFFAIRS

JILIN ACHIEVEMENTS IN URBAN ENTERPRISES

SK030345 Changchun Jilin Provincial Service in Mandarin 1030 GMT  
2 Oct 85

[Text] During the 36 years since the founding of the PRC, our province has achieved great development in establishing collective-owned enterprises among urban areas. During the period from 1949 to the end of 1984, the province has had 54,701 collective-owned enterprises in urban areas with 1.382 million employees, who account for 32 percent of the total number of urban staff members and workers.

In 1984, the total industrial output value of the urban collective-owned enterprises throughout the province accounted for 21 percent of the provincial total industrial output value. During the January-August period this year, these enterprises surpassed the total industrial output value of the corresponding 1984 period by 27.1 percent. The networks and centers engaging in commerce, service, and food service have been established throughout the province.

The development of urban collective-owned enterprises has played an important role in developing production, enlivening the economy, flourishing markets, making job arrangements, and in improving the people's livelihood.

CSO: 4006/58

PROVINCIAL AFFAIRS

SHAANXI FULFILLS MAIN TARGETS OF SIXTH 5-YEAR PLAN EARLY

HK041211 Xian Shaanxi Provincial Service in Mandarin 1130 GMT 30 Sep 85

[Excerpts] Since the 3d Plenary Session of the 11th CPC Central Committee, economic situation has become better and better in the province. The province has fulfilled 1 year ahead of schedule the main targets set by the state for the Sixth 5-Year Plan. The province's total social production output value for 1984 amounted to some 24.7 billion yuan, fulfilling 1 year ahead of schedule the target set for the Sixth 5-Year Plan. During the period of the Sixth 5-Year Plan, the annual growth rate of the province's social production output value was over 9 percent. The province has reaped bumper harvests in agriculture for years running. The rural economy has become unprecedentedly active. Despite serious natural disasters, such as drought and floods, this year, the province is still expected to reap a good harvest in this year's agricultural producti n.

The province's agricultural output value for 1984 was 15.4 billion yuan, fulfilling 1 year of schedule the target set for the Sixth 5-Year Plan. During the period of the Sixth 5-Year Plan, the average annual growth rate of the province's agricultural output value was over 10 percent.

The province's industrial output value from January to August this year increased by 22 percent over the same period last year.

The province's financial income has increased year by year. The province's financial revenues from January to August this year increased by 16.2 percent over the same period last year. The province's financial expenditures from January to August this year increased by 13 percent over the same period last year.

CSO: 4006/58

PROVINCIAL AFFAIRS

HUBEI HOLDS SYMPOSIUM ON SERIOUS ECONOMIC CRIMES

HK041010 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 27 Sep 85

[Text] The symposium on cracking down on serious economic crimes in all prefectures, cities, and autonomous prefectures throughout the province proposed: It is necessary to overcome laxness, clearly demarcate policy, to penetratingly develop the struggle against serious economic crimes, and to ensure the smooth progress of reform of the economic structure. Shen Yinluo, Deputy Secretary of the Provincial CPC Committee, attended the symposium and spoke.

The symposium held: Over the past 2 years, the whole province has achieved relatively good results in cracking down on the serious economic crimes. However, due to the fact that the importance of the long-term struggle against serious economic crimes has not been fully understood, some places have been lax and afraid of difficulty.

The comrades attending the symposium held: Reform is a revolution and has some imperfections. Some lawless elements will surely avail themselves of loopholes and will engage in economic criminal activities. Cracking down on the serious economic criminal activities and guaranteeing the smooth progress of reform is a long-term, arduous, and complicated task and we must not be lax.

The symposium emphasized: Inthe struggle against serious economic crimes, we must clearly define the policy draw a demarcation line between normal economic activities and obtaining lawful remuneration and committing graft, accepting bribes, and seeking staggering profits; between what is permitted by the policies and committing a crime under a lawful pretext; between signing a contract and signing a false contract to indulge in speculation and to practice fraud; between a slip in work and violation of the law; and so on.

This provincial symposium on cracking down on the serious economic crimes in all prefectures, cities, and autonomous prefectures throughout the province was held in Xianning in the middle of September.

CSO: 4006/58

PROVINCIAL AFFAIRS

SHANDONG GOVERNOR SPEAKS AT PRESS UNIT CONFERENCE

Jinan Shandong Provincial Service in Mandarin 2300 GMT 4 Oct 85

[Excerpts] On the morning of 4 October, Li Changan, governor of the province, presided over a joint conference of press units which was sponsored by the provincial People's Government. At the conference Governor Li Changan circulated in detail the excellent situation on the province's industrial, agricultural and cultural fronts, as well as the existing problems. He called on the conference participants to conduct investigation and study in a realistic manner in line with the principles and policies of the party, look far into the overall situation, and serve the grassroots units.

To enable all press units to learn about the work arrangements and guiding principles of the provincial People's Government, Governor Li Changan briefed the participants on the issues in the following four aspects:

1. We should continually study the new situations and problems emerging in the economic life. This is the work of the provincial People's Government as well as the work of all press units.
2. We should always persist in the ideological line of seeking truth from facts. In reporting the excellent situation, we should seek truth from facts; while in revealing problems, we should all the more seek truth from facts.
3. We should conscientiously study economic theories and knowledge, and strive to analyze and study problems from the high plane of the overall situation of the province and the country.
4. We should pay high attention to strengthening the ideological and political work, particularly among youths, and achieve success in building spiritual civilization.

Attending the conference were responsible persons of the provincial radio and television departments, the DAZHONG RIBAO general office, and other newspaper offices and broadcasting and television stations at the provincial and city levels; and correspondents of the press units at the central level stationed in Shandong Province, 38 press units in total.

Governor Li Changan also announced at the conference: It has been decided through discussions, at the meeting on the routine work of the provincial People's Government, that the joint conference of press units should be systemized and should be held once every month by the provincial People's Government. In accordance with the work situation, and if there is a matter which should be tackled by all press units, all units are allowed to convene the joint conference at any time, and a number of press units will be allowed to attend as observers the meeting on the routine work of the provincial People's Government.

Attending the conference as observers were Zheng Weimin, Standing Committee member of the provincial CPC Committee and director of the provincial propaganda department; Ma Shizhong, Lu HOn, and Ma Changgui, vice governors of the province; Song Yimin, Zhang Jingtao, and Zhu Qimin, advisers to the provincial People's Government; and responsible persons of the provincial Planning Commission, the provincial Construction Commission, and the provincial Economic Commission. At the conference, Comrade Ma Shizhong offered some opinions and demands on giving economic reports.

CSO: 4006/58

PROVINCIAL AFFAIRS

YUNNAN OFFICIAL DISCUSSES PROVINCIAL ECONOMY

HK070415 Kunming Yunnan Provincial Service in Mandarin 2300 GMT  
27 Sep 85

[Excerpts] [Li Mingde], chairman of the provincial economics committee, recently talked to a station reporter about carrying out macroeconomic control to ensure steady and continuous development of the province's economy.

[Begin recording] The National Conference of Party Delegates, which attracted worldwide attention and became the focus of the whole party and country, has ended victoriously. Two important issues were settled at the conference. 1) The conference completed the replacement of old cadres by new ones in the CPC Central Committee. 2) The draft proposals on the seventh 5-year plan were adopted at the conference. The settlement of these two important issues will have profound and lasting significance in China's socialist revolution and socialist construction.

The speeches by Comrades Deng Xiaoping, Chen Yun, and Li Xiannian at the closing session of the conference have indicated the way for the people of various nationalities to fulfill the seventh 5-year plan. We must earnestly study and resolutely implement their speeches.

Since the 3d Plenary Session of the 11th CPC Central Committee, the province has rapidly developed economic construction. The province's grain output exceeded 20 billion jin for the first time last year. Its industrial production achieved synchronous development in four fields for four years running. The province's financial income has increased a lot year by year. The people's livelihood has been greatly improved.

The economic administration departments remaining sober-minded and properly carrying out macroeconomic control and an overall balance under such an excellent situation is a prerequisite to developing the province's economy steadily and in a planned way.

On the whole, the people's economic situation was good in the first 8 months of this year. However, due to our failure to carry out macroeconomic control and overall balance and the excessive issuing of loans and consumption funds, we met difficulties in developing the province's economy continuously and steadily. Due to our failure to attach importance to grain production in the readjustment of the rural economy, people thought that industry and sideline production was more important than agriculture. In addition, due to various fairly serious natural disasters, the province's grain output has dropped in recent years. We were thus forced to bring in grain from various other places by using a vast amount of manpower and material resources.

The province's industrial output value for August increased by 17.8 percent over January. This has resulted in an abnormal situation in which raw materials are in short supply, the quality of products has dropped, the consumption of raw materials has increased, and accidents have happened more frequently.

After summing up the experiences in Yunnan's economic construction, we believe that in order to develop Yunnan's economy continuously, steadily, and healthily in the next few years, we must properly carry out macroeconomic control. Only by properly carrying macroeconomic control, is it possible for us to [words indistinct]. We must proceed from Yunnan's reality, conduct more investigation and study, carry out an overall balance in macroeconomy, refrain from seeking a high growth rate lopsidedly, and switch the province's economy onto the track of raising economic efficiency and social benefits so as to let the people in the province gain some practical benefits from developing production. [end recording]

CSO: 4006/58

PROVINCIAL AFFAIRS

JIANGSU PROPLE'S CONGRESS SESSION OPENS 16 SEPTEMBER

0W180216 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT  
16 Sep 85

[Text] The 15th Session of the Standing Committee of the 6th Jiangsu Provincial People's Congress opened today in Nanjing. A plenary meeting of the session, presided over by Chairman Chu Jiang, was held this morning. The participants heard a report on the 1984 final accounts and adjustment of the 1985 financial budget delivered by the provincial department of finance on behalf of the provincial people's government; a report by the provincial Bureau of Commodity Prices on reform of the pricing system in the province; and a report by the provincial Bureau of Statistics on implementation of the Statistics Law.

According to Jiang Qiwen, director of the provincial department of finance, because the Ministry of Finance has slightly adjusted the revenue and balance figures in the province's final accounts and because of the reform of the financial system, it has been necessary to adjust the revenue budget accordingly.

In his report, (Zhu Shizhen), director of the provincial Bureau of Commodity Prices, proposed the following measures to control general price levels:

1. Authority to set commodity prices should no longer be delegated to lower levels this year. Where such authority has already been delegated, it must be scrutinized to determine if the delegation of the authority is appropriate.
2. New arrangements should not be made to raise commodity prices.
3. Prices of pork, vegetables, and other nonstaple foods should be strictly controlled.
4. Resolute efforts should be made to stabilize prices of manufactured consumer goods for daily use.

5. Pursuant to the regulations on control of prices of heavy industrial products, control should be strengthened over the cost of the means of production for industrial projects listed in the plan, and control should be strengthened over supplies needed for cooperative projects. On prices of commodities handled by trade centers, proper guidance should be given so as to keep the prices under control.

6. Noncommodity fees [fei shang pin shou fei] should be scrutinized.

7. Resolute and unremitting efforts should be made to strengthen the inspection and supervision of commodity prices. Propaganda work on reform of the pricing system should continue to be carried out in-depth.

Cheng Yi, director of the provincial Bureau of Statistics, stated in his report: Since the Statistics Law was promulgated and put into practice, there have been frequent instances of failure to follow the law and to strictly enforce the law because of a lack of understanding of rule by law on the part of a few comrades, including some leading comrades. This has had an adverse effect on the accuracy and scientific nature of our statistical work. Continued efforts should be made to comprehensively publicize and strictly enforce the Statistics Law. At the same time, it is imperative that we check the quality of statistical work in a planned and organized way, and the units concerned at all levels should see to it that every statistical figure is correct.

Among those attending the plenary meeting were Vice Chairmen Chen Dexian, He Binghao, Li Qingkui, Wang Bingshi, and Li Zhizhong. Responsible persons from the provincial people's government, the provincial Higher People's Court, the provincial People's Procuratorate, and the standing committees of the People's Congresses of the 11 cities in the province attended the meeting as observers. Also present as observers were some deputies to the provincial People's Congress who were invited to the meeting.

Panel discussions on the three reports began this afternoon.

CSO: 4006/59

PROVINCIAL AFFAIRS

BRIEFS

YUNNAN PROMOTES ECONOMIC COOPERATION--So far this year, more than 2,500 economic and technological cooperation items have been signed and carried out between units in Yunnan Province or between Yunnan units and units in other provinces. The number of cooperation projects is twice as large as in the same period last year. Of these agreements on economic cooperation, more than 1,700 were concluded between units in this province, and more than 700 were concluded between units between Yunnan units and units in other provinces. A total of more than 80 million yuan in funds was involved in these cooperation projects. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 2 Oct 85 HK]

YUNNAN DEVELOPS COMMODITY ECONOMY--During the Sixth 5-year Plan period, CPC committees and governments at all levels in Yunnan Province have vigorously developed the commodity economy. According to statistics, the number of urban and rural fairs in the province is now over 2,550 and is some 960 more than in 1978. Many of these fairs have developed from retail markets into wholesale markets and from being markets for agricultural and sideline products only in the past into now being comprehensive markets for both agricultural and sideline products and industrial products. The funds our province spent on building markets in 1984 were some 7.4 million yuan, which exceeded the total amount of investments from 1980 to 1983. The number of licensed individual industrial and commercial households throughout the province now is some 331,000, with some 482,000 workers. In the mountainous areas, semimountainous areas, and border minority-nationality areas where people found it especially hard to buy and sell goods in the past, there are now some 200,000 individual workers engaging in industry and commerce. With the rapid development of individuals industry and commerce, the urban and rural economy has been enlivened, the development of the commodity economy has been promoted, the masses have found it convenient to buy and sell goods, and urban and rural youths waiting for employment have had jobs arranged. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 1 Oct 85 HK]

SHAANXI ENTERPRISES--Since the beginning of this year enterprises in the province have rapidly developed economic ties with each other. As a result, they have further upgraded the level of socialized cooperative production and management, become more competitive, and raised economic efficiency. According to incomplete statistics, the economic ties between enterprises in the province will increase their output value by 100 million yuan this year. The

profit and tax achieved by the enterprises this year will increase by 20 million yuan. Economic ties between enterprises have given vitality to the enterprises and demonstrated their advantages. The advantages are reflected in the following three fields: 1. Economic ties between enterprises have upgraded the capabilities of key enterprises in developing production, and promoted a number of large and small enterprises and town and township enterprises. 2. Economic ties between enterprises have swiftly upgraded the quality of products and raised economic efficiency 3. Economic ties between enterprises have increased their abilities to open up new markets. [Excerpts] [Xian Shaanxi Provincial Service in Mandarin 1130 GMT 29 Sep 85 HK]

ECONOMIC, TECHNOLOGICAL COOPERATION PROGRESS--With the unceasing deepening of economic structural reform, our province has made new progress in economic and technological cooperation. So far, our province has established economic and technological cooperative relations with 27 provinces, cities, and autonomous regions. According to incomplete statistics, since last year we have signed 3,166 economic and technological cooperative agreements of various sorts, of which 2,270 have been fulfilled. These cooperative agreements have added an output value of 660 million yuan and brought a profit of 110 million yuan. The signed economic cooperation contracts included an import of funds totalling 890 million yuan (including interprovincial import of funds) and an export of funds totalling 150 million yuan. Through cooperation, we have trained 6,800 specialized talented people of various descriptions on commission. Since last December, our province has successively organized economic and technological cooperation associations in the cities in the central and western parts of Liaoning Province and in the coastal cities. These associations have already displayed or are displaying their active roles. [Excerpts] [Shenyang Liaoning RIBAO in Chinese 14 Sep 85 p 1 SK]

QINGHAI REFORM PLANS-- With the approval of the provincial government, the plan formulated by the provincial statistics bureau for structural and personnel reform has been implemented. The contents of the reform are: On the premise of not expanding the existing establishment, to merge the four statistics departments of industry and communications, agriculture, capital construction, and finance and trade into one economic statistics department; to merge the two professional departments of population and social affairs into one social affairs statistics department; and to set up the pilot project investigation department, the economic information department, and the computer applications department according to the needs of the current work. [Excerpt] [Xining Qinghai Provincial Service in Mandarin 2300 GMT 3 Oct 85 HK]

XINJIANG LEADERS VISIT MILL--A ceremony to mark the completion of the first phase and the all-round trial operation of Xinjiang Wollen Mill was held today. Present at the inaugural ceremony were regional leading comrades Wang Enmao, Tomur Dawamat, Qi Guo, Li Jiayu, Wang Zhenwen, and Tuohuti Shabier. Comrade Wang Enmao cut the ribbon at the inaugural ceremony of the wollen mill. Xinjiang Woolen Mill is one of the region's key construction projects. [Excerpt] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 28 Sep 85]

ECONOMICS INSTITUTE OPENS--With the approval of the provincial people's government, the Hunan International Economics Institute opened in Changsha yesterday [15 September]. This institute which mainly trains qualified personnel for international economic management is an ordinary full-time college of higher education. The institute runs eight specialized subjects, including international economics, international trade, international enterprise management, international economic relations, and foreign languages, in four departments.

Professor (Hou Zhenting), famous mathematician, acts as the president of the institute. [Text] [Changsha Hunan Provincial Service in Mandarin 2300 GMT 15 Sep 85]

NEW TV STATION BROADCASTS--Urumqi, 30 Sep (XINHUA)--A new television station--Urumqi TV--began broadcasting in the Xinjiang Uygur autonomous region last week. It is the 19th local TV station in the region, and is broadcasting in both Uygur and Han (Chinese) languages. The region also has 161 stations to relay programs recorded by the regional TV station from national TV, which now serve 60 percent of the region's population of 13 million. More than 10,000 TV sets are now sold every year in Xinjiang. Less than 400 were sold the year after the first TV station opened here in 1971. /Text/ Beijing XINHUA in English 1839 GMT 30 Sep 85/

CALL FOR FASTER DEVELOPMENT--Urumqi, 30 Sep (XINHUA)--Xinjiang must step up development of its mineral resources and strive to become one of China's main suppliers of industrial raw materials, senior Communist Party official Wang Zhen said today. Addressing a meeting of more than 3,000 cadres of various nationalities here to mark the 30th anniversary of the founding of the Xinjiang Uygur Autonomous Region, the vice chairman of the Communist Party central advisory commission suggested that in addition to absorbing foreign investment, regional authorities should work out flexible policies to enable collective and individually-run businesses to undertake mining. Xinjiang has verified deposit of 118 minerals, of which the reserves of oil, coal, rare metals and nonmetallic minerals are substantial. The vast region in northwestern China should make full use of its favorable conditions, said Wang, who is leading a central delegation here for the anniversary celebrations. He urged efforts to make plant cultivation, animal husbandry, and horticulture the mainstays of the rural economy in Xinjiang, one of China's major pastoral areas and a major producer of fruit. He hoped the region would strengthen economic and technical cooperation with other Chinese provinces and regions, as well as boost economic and trade ties with other countries. Education should be fully developed, and efforts made to attract scientists, technicians and managers from other parts of China. The region's many ethnic groups should further unite and help each other to progress. "This is a fundamental guarantee for a prosperous Xinjiang," he said. /Text/ Beijing XINHUA in English 1458 GMT 30 Sep 85/

SINO-ITALIAN TRAINING CENTER COMPLETED--Beijing, 2 Oct (XINHUA)--China's first numerical control machine training center, built jointly by China and Italy, opened today in northeastern Beijing. The Chinese Government invested 3 million yuan in the project while the Italian Government provided 5 million U.S. dollars to buy 23 numerical control machines and other facilities. An Italian Government

economic delegation and Chinese Government officials today visited the center, which has 40 teachers, skilled workers and managerial personnel. An official said the Sino-Italian project was built to train Chinese technicians and skilled workers in the use of numerical control machines, exchange technology between the two countries and help promote machine processing technology. The official said the Beijing center will train 200 people annually. The two governments have already agreed to expand the facility. /Text/ Beijing XINHUA in English 1220 GMT 2 Oct 85/

PROCURATORS ACT AGAINST CRIMINALS--The provincial procuratorial departments have promptly struck at economic criminals, thereby promoting smooth progress in the economic structural reform. From January to August this year, the province's procuratorial departments have recovered 3,764,000 yuan of economic losses, playing a good role in serving the four modernizations. Since the end of last year, the province has mobilized over 1,000 cadres to investigate cases of economic crimes. The procurators at various levels have personally grasped the work of striking at economic crimes. At the same time, the procuratorates at various levels have generally strengthened their investigation work and handled major cases step by step. Therefore, they have promptly solved the cases and promoted an in-depth development in the struggle against economic crimes. [Text] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 20 Sep 85]

CSO: 4006/58

ECONOMIC DEVELOPMENT ZONES

YANTAI USES FOREIGN FUNDS TO UPGRADE OLD ENTERPRISES

Beijing RENMIN RIBAO (Overseas edition) in Chinese 5 July 85 p 3

[Article by YANTAI RIBAO [YANTAI DAILY]: "Use Top Steel for Blades; Importing Technology Priority of Foreign Fund Use in Yantai; Upgrade Old Enterprises, Develop Local Resources and Joint Venture Projects"]

[Text] From 1984 until the end of May this year, Yantai used foreign funds to introduce advanced technology and equipment in 258 projects. The volume of business was \$203.98 million, equal to 6.6-fold the volume of business in the preceding 12 years. Once these projects are completed and go into production they will increase the industrial output value by more than 850 million yuan and tax revenues by more than 164 million each year.

In utilizing foreign funds to introduce advanced technology and equipment, Yantai stresses priorities and results. One key point is to stress the technological transformation of existing enterprises. Of the more than 2,700 industrial enterprises and 100,000 major pieces of equipment in the city at present, only 5 percent date from the post-1970's. Approximately 30 percent use backward techniques and are in urgent need of upgrading. The Yantai Zhangyu Grape Winery Co is an old firm with a history of more than 90 years. The output of wine increased 19-fold and export resources doubled once foreign funds were used to introduce a technical transformation. The Yantai Silk Printing and Dyeing Works would only export pongee and bleached white silk. Its volume of exports was low and exchange costs high because its technology and equipment were backward. In 1982, the company introduced a production assembly line (35 pieces of equipment) in compensatory trade with an Italian company. This doubled and redoubled the company's annual export capacity and reduced foreign exchange costs by 34 percent, amounting to earnings of \$14 million. The enterprise provides the state with 5 million yuan per year in tax revenues. The second key point Yantai stresses is the development of local resources. Up to now the city has examined and approved seven projects to utilize foreign funds and raise shrimp. The total foreign investment is \$9.1 million. The entire figure can be entirely repaid within 3 years. Marble and granite resources are extremely plentiful in Yantai. The third key point is to stress the development of Chinese-foreign joint ventures. In 1981, the former Yantai Timber Industry Co entered into a joint venture with the China National Native Produce and Animal Byproducts Import and Export Corp and created the Huang He Timber Industry Co using foreign funds to upgrade, there are now 25 more varieties and kinds of goods than before the transformation and approximately 30 percent of the raw materials are being saved.

ECONOMIC MANAGEMENT

YUNNAN GOVERNMENT ISSUES CIRCULAR ON INSPECTING PRICES

HK220844 Kunming Yunnan Provincial Service in Mandarin 1100 GMT  
19 Sep 85

[Excerpts] The Provincial People's Government recently issued a circular to the people's governments and relevant departments of all prefectures, autonomous prefectures, cities, and counties in which it decided to conduct a thorough price inspection around National Day throughout the province. It demanded that the governments and relevant departments at all levels seriously grasp the work so as to stabilize market prices and ensure the smooth progress of the reform of the economic structure.

The circular demanded that all areas and departments conduct an in-depth price inspection of all production, business operations, and service units in their own departments and areas and resolutely curb the malpractices of arbitrarily increasing prices, increasing prices in a disguised way, and arbitrarily charging others. All units, including central units in the province and units directly under the provincial authorities, must seriously inspect themselves and be inspected by the local governments.

The circular pointed out that the current price inspection should mainly take the form of self-inspection supplemented by such forms as cross-inspections and spot checks. Problems discovered in the inspection must be solved immediately according to the relevant regulations. In the meantime, it is necessary to strengthen and improve price controls and perfect the price system so as to prevent the phenomenon of beginning with inspections and ending with confusion.

In order to assist and promote the proper conduct of the current price inspection by all areas, the Provincial Government has organized price inspection groups and will dispatch them to all areas to carry out the inspection work.

CSO: 4006/60

ECONOMIC MANAGEMENT

EFFECTIVE WAY TO IMPROVE ENTERPRISE MANAGEMENT

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 14 Aug 85 p 3

[Commentary: "An Effective Way To Raise Enterprise Management Standards"]

[Text] One of the important causes of dissatisfactory economic results for many rural and small town enterprises is that their management work falls short of the demands of development. And the cause of a low management level is the lack of talented people who are proficient in enterprise management. The results obtained from the managerial consultation activities launched by some enterprises in Wuxi City indicate that carrying out managerial consulting activities is an effective way to raise enterprise management standards and enterprise quality.

In view of the experiences provided by Wuxi and our country's actual situation, at present two issues must be properly solved in order to do a good job of managerial consulting on rural and small town industry.

One is the issue of understanding. We must clearly see the fact that we are lagging behind in the area of management. We should not pay attention only to the study of production technology, or "pushing the one-wheeled wheelbarrow," but should also attach importance at the same time to raising management standards. We should not only rely on extension to expand reproduction, but instead should pay attention to tapping potential, transformation and innovation within the enterprise and seek results from intension. Management is a productive force, and the science of management is the way to produce, gather and use wealth. Only by adding the "two wings" of advanced production technology and scientific managerial techniques can rural and small town industry realize a true takeoff.

Second is the issue of practice. In view of the fact that our country has had managerial consulting for only a short time, lacks experience and personnel in this field, organizing and implementing managerial consulting should be done according to plan and in several stages. In general, it can be done in three stages. The first stage is training backbone personnel, that is, sending a certain number of key personnel who have finished high school and have some managerial experience to study in colleges and universities, scientific research institutes and

consulting services. The second stage is to use these comrades as teachers, with the help of experts from outside, to train more consulting personnel and enlarge their ranks. The third stage is after each backbone enterprise acquires one or two comrades who know the business of managerial consulting, to perform these activities in a selective and planned manner.

To properly develop managerial consulting, there are three more things to do at present. First, responsible departments of rural and small town enterprises of all levels should actively create conditions for carrying out propaganda, mobilization, organization and evaluation of managerial consulting; meticulously organize, help and supervise the development of managerial consulting and help; supervise and improve the implementation of programs and in a timely manner commend and award those units and individuals who have carried out consulting well and obtained notable economic results. Second, what separates success from failure in managerial consulting is the attitude of enterprises which seek advice in implementing improvement programs. These enterprises must regard the study and implementation of improvement programs as a prime matter for raising enterprise quality and economic results, and should organize the programs' implementation in stages. Consulting organizations should also give enterprises concrete guidance. Third, at the outset of consultation, priority should be given to short-term and single-item projects and experts should be sought for guidance as quickly as possible.

We believe that through the development of managerial consulting, rural and small town industry will be able to conscientiously raise economic results and thereby move forward continuously and steadily.

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CSO: 4006/941

ECONOMIC MANAGEMENT

BRIEFS

CONSERVATION OF RAW MATERIALS--According to YUNNAN JINGJI BAO [YUNNAN ECONOMIC JOURNAL], the provincial people's government recently issued a circular on enlarging the scope of rewards for saving raw materials. The circular stipulated: In addition to the 10 categories of special raw materials stipulated by the state, the province has promulgated rules for rewarding the saving of raw materials in 12 categories of non-ferrous metal, alloy, steel products, pig iron, natural gas, salt, rubber, tobacco, cotton, polystyrene, leather and fur, and high-grade oil for industrial use. In addition, the circular stipulated: The rules will reward those who save on consumption of these raw materials, and those who do not take part in saving raw materials will not be rewarded. [Text] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 3 Oct 85]

CSO: 4006/60

FINANCE AND BANKING

PRC CURRENCY EXCHANGE RATE AT LOWEST LEVEL IN 2 YEARS

HK031044 Hong Kong AFP in English 1032 GMT 3 Oct 85

/Text/ Peking, 3 Oct (AFP)--China's currency today hit its lowest rate to date, dropping to 3 yuan to the U.S. dollar and bringing the total decline in the unit's value during the past 2 years to 53 percent.

Official exchange rates released by the State Administration of Exchange Control showed the selling rate for renminbi, the official name of the Chinese currency, to be 300.83 for U.S. dollars.

Western economists said the value was the lowest since the currency's official exchange rate took on practical significance in the early 1970's, as China shifted from barter trade into regular trading transactions.

The unit has fallen 53 percent since October 1983, when 1.95 yuan were needed to purchase a U.S. dollar. Since January the currency has fallen slightly less than one percent per month, official statistics showed.

The downward adjustment in the value of the renminbi--which is not traded on international markets--began several years ago, accelerated in the winter of 1984, and then steadied for several months before the recent downturn.

The foreign exchange control commission has not disclosed how the value is calculated or the reason for the official adjustments. A recent request for an interview was declined on the grounds that the commission was too busy.

Western economists noted that the unit's fall in relation to the U.S. dollar coincided with a recent drop in the dollar's exchange rate against most other currencies.

The downward adjustment amounted to a de facto currency devaluation and was in keeping with advice from the World Bank and the International Monetary Fund, the economists said.

A cheaper renminbi would help boost exports and trim imports while further facilitating China's integration into the world economy, the economists said.

Chinese sources said that the level of the exchange rate was a subject of debate among official economists, some of whom wanted to have the currency eventually settle at a level where it could become freely convertible.

A more easily convertible Chinese currency would boost foreign investment in China by making it easier to repatriate profits, though China would certainly seek to maintain tight control over the currency's market value, analysts said.

Western economists declined to estimate the real or market value of the renminbi, saying it could not be determined until current economic reforms had taken hold possibly in 2 or 3 years.

A black market for foreign exchange certificates--renminbi notes that can be exchanged for foreign currency--offers a premium of roughly 70 percent above the official rate, suggesting that the current market value of the yuan is roughly 6 to the U.S. dollar, analysts said.

However economists said that the black market was too thin to be an accurate indication of the renminbi's true value.

CSO: 4020/17

FINANCE AND BANKING

REFORMS IN TAX COLLECTION WORK DISCUSSED

Beijing JINGJI RIBAO in Chinese 29 Aug 85 pp 1-2

[Article by Tian Jiyun [3944 4764 0061]: "Work Hard To Do a Good Job in Tax Collection Under the New Circumstances"]

[Text] China's political and economic situations are very good at the moment, and so is tax collection work. Most state enterprises have implemented the second stage of the reform to replace profits with taxes and, in the process correctly dealt with the distribution relations between the state and enterprises. The inspection of tax collection is also being strengthened continuously. From January through July this year, we have collected 68 percent of the taxes projected for the entire year, an increase of 22 percent over the same period in 1984. On the other hand, we should open our eyes to the fact that as the restructuring of the economic system gains depth with each passing day, it also poses increasingly heavy demands on tax collection with the result that our tasks will also become more and more arduous. It is therefore imperative that we urgently study and solve the problem of how to adapt tax collection to the new situation while improving it at the same time.

The basic features of our present economic system right now are reform, the open door policy and economic vitalization. Our reform is advancing toward the goal set by the party at the 3d Plenum of the 12th CPC Central Committee, gradually bringing about a socialist planned commodity economy. The whole economy has been undergoing changes and many new circumstances have arisen.

1. From what was basically a monolithic system of public ownership, our economy has evolved into a system which, while anchored in socialist public ownership, also accommodates a variety of economic modes and operational methods. In the past, state enterprises dominated industry and commerce, the urban collective economy played only a minor role and the individual economy was of negligible importance. In recent years, the collective economy and individual economy have made fairly significant progress. The industrial output of the collective economy accounted for 19.2 percent and 25 percent of total industrial output in 1978 and 1984, respectively. The volume of retail sales in the individual sector constituted 9.6 percent of total social commodity retail sales in 1984, up from 0.1 percent in 1978. In 1984, individual industrial and commercial households paid 2.4 percent of all taxes collected by the state. In 1978, their share was only 0.32 percent. The size

of the workforce employed by collective units in urban areas rose from 21.6 percent to 27 percent of the overall work force during this period, while the number of people employed in individual industry and commerce in villages and townships jumped from 140,000 to 13 million. Clearly the changes have been dramatic.

2. There has been a shift from direct control to indirect control. As far as planning is concerned, the scope of command planning is being narrowed step by step, while that of guidance planning and market regulation is being broadened. Direct control is being reduced while indirect control is being strengthened. In terms of the mechanisms used to regulate the economy, administrative devices are being deemphasized in favor of economic means. In the past few years we have enacted some economic legislation. While it is neither complete nor perfect, we are moving slowly in the direction of establishing a comprehensive legal framework.

3. We have moved from the old distribution system characterized by centralized distribution and "eating from the big rice pot" toward one where distribution differentiates among different ranks, where people are paid in accordance with their work and where powers, responsibilities and benefits are integrated. Since 1979, we have carried out a series of reforms revolving around the invigoration of enterprises, with the result that enterprises are slowly being transformed into autonomous socialist commodity producers and businesses responsible for their own finances. Today enterprises have more autonomy than in the past and are more dynamic. Nationwide, profits are distributed between the enterprise and the state roughly in a 3:7 ratio; in other words, the former keeps 30 percent, while the latter takes 70 percent. On the whole, taxes have replaced profits and become the major source of state revenue. The regulation tax we are now collecting is only an interim measure. As price reforms take root, it will be abolished.

4. A "closed" system in the past, our economy has now become an "open" one. We have established special economic zones and opened a number of coastal cities over the past few years. Various provinces, municipalities and regions are also steadily strengthening their foreign economic ties. The attraction of foreign capital and importation of foreign technology have achieved tangible results: joint ventures using Chinese and foreign capital, cooperative enterprises and wholly-owned foreign enterprises have already appeared, all of them almost unheard of in the past. The nation's various regions and sectors have taken the first steps toward dismantling the restrictions which used to separate and isolate them from one another and forged all kinds of horizontal economic connections to the benefit of economic development.

Such is the new situation confronting our economic work and tax collection work today. Of course, if we go into details, the picture becomes much more complex; there have been so many changes in all quarters. We limit ourselves to the essentials here.

Right now, our city-oriented restructuring of the economic system is well under way across the board and has achieved tangible results. The national economy is a scene of continuity, stability and coordination and has generated a self-perpetuating momentum. Certainly we still have a number of problems,

but if we understand and tackle them correctly, we will do much to adhere to the reform direction and strengthen our confidence in reform, apart from laying an ideological foundation for our various tasks. We should rightly pay attention to problems which arise in the course of reform. But we must maintain a proper perspective in assessing the situation. We must not emphasize the new problems so much that we overlook the chronic maladies which prevailed in pre-reform days. Taking the overall view, we must ask ourselves why industrial and agricultural production has made such rapid progress over the past few years compared to the days before the 3d Plenum of the 11th CPC Central Committee, why the standard of living of 800 million peasants and masses of workers has improved so fast, and why the employment problem which has plagued us for many years has been resolved so successfully. If we juxtapose what the people eat, wear and consume these days with their pre-reform counterparts, we will realize the vastness of the changes which have taken place. These changes are also the foundation for the very stability in our nation, in our society today. Had we not reformed, what would have happened? Certainly not the gratifying changes mentioned above. As far as the tax front is concerned, how to correctly analyze and deal with the problems which have emerged in the course of reform is also an extremely crucial point. At present tax evasion is indeed widespread and serious, so we must strengthen education in law and discipline and teach all our cadres and the masses to consider the general interest and handle properly the relations between the state, the collective and the individual, and deal with all violations of the law and discipline strictly, instead of tolerating or giving in to them. At the same time, we should see that because some comrades neglected tax collection for many years in the past, there are people who consider tax collection nothing more than an extra burden. This idea must be changed gradually. Now that we have opened up the country to the world and taken steps to invigorate the economy and give enterprises more autonomy at a time when our legal system is still imperfect, it is inevitable that a number of units and individuals, in pursuit of group or personal gain, will throw principle to the wind. They "resort to all kinds of ploys to circumvent government policies" and damage the national interest. That such things should happen is only to be expected. Our problem is not that they happen, but to find an effective way to tackle them in the spirit of reform. As long as we combine economic with administrative methods, put equal emphasis on strengthening education and perfecting the legal system, and steadfastly move ahead in the direction of reform, we will slowly but surely find a way. "You have your tricks and we have our policy." Proceeding step by step, we will be able to improve the standard of our macroeconomic management continuously, perfect our legal system and advance our reform. Reform provides a way out for China. The problems which appear in the course of reform can only be solved in the context of continuous reform and our various tasks can progress only through reform. If we refuse to change and cling to outmoded ideas, we are doomed. If we beat a hasty retreat as soon as we encounter a problem, we will be even more doomed.

How can we do a good job in tax collection under the new circumstances? We recommend coming to grips with the following tasks:

First, make use of tax collection in such a way that it can exercise its economic leverage to the greatest extent. It must be used to strengthen the

state's macroeconomic regulation and serve the restructuring of the economic system. This is a primary mission of tax collection work. Undoubtedly, our tax collection work must strive to promote economic development and enrich the state coffers. But tax collection is much more than collecting money. Even more important, we must conscientiously make use of tax collection as a regulatory and control mechanism to ensure the healthy development of economic reform.

To reform the economic system, we must relax our grip at the microeconomic level on the one hand, and strengthen our management and control at the macroeconomic level on the other. Experience over the past few years tells us that these two aspects supplement each other. Only by breathing life into the microeconomic sector can we mobilize everybody's initiative and promote the development of social productivity, and only by strengthening macroeconomic control can we improve social and economic results and ensure the healthy development of the entire economy. Some comrades think that reform means only economic invigoration, not knowing that strengthening macroeconomic management and control wherever necessary is also reform. We would say that any reform must have its restraining side as well as its expansive side. Both economic invigoration and macroeconomic control are important components of reform. The more we want to invigorate the economy, the more we must strengthen macroeconomic control. And only by maintaining the balance between the more important macroeconomic relationships can we really bring the economy to life. The aim of both economic invigoration and strengthening macroeconomic control is to promote the development of social productive forces and make the socialist economy prosperous. We must make this ideological point very clear. As the restructuring of the economic system becomes more thoroughgoing, we must learn to rely less and less on administrative decrees as a means of managing the economy, turn more and more toward economic methods, and gradually reduce direct controls and replace them with indirect controls. This change is only one method in controlling and managing the economy and does not mean that either management or control itself will be weakened. All things take time. Before economic managerial tools are fully in place, we must not do away with needed administrative managerial methods, and before indirect controls are perfected, we must not discard direct controls. Ours is a socialist nation. Even when economic managerial tools and indirect controls become well established in the future, administrative intervention and direct control by the state will remain indispensable. Tax collection, credit, price, exchange rates, finance--all are both instruments of regulating the distribution of income and tools of macroeconomic control. Moreover, like price, taxation is an extremely important means of indirect control. There is absolutely no doubt that tax collection will come to play an even more crucial role in this regard in the days ahead. Right now, we must manipulate tax collection, tax exemption and changes in tax rates and coordinate them with other measures to control the scale of investments in fixed assets and prevent any excessive expansion of consumption so that the national economy will remain stable, self-perpetuating and coordinated.

Second, make active use of tax collection to accumulate funds for the state to promote socialist modernization and improve living standards. Since we began collecting taxes from enterprises instead of asking them to turn over profits to the state, most of the state's revenues have come from taxes. Hence the

strengthening of tax collection has considerable significance for achieving a balanced budget, promoting the national economy and improving the people's livelihood. Strengthening tax collection inspection consists essentially of two tasks. First, we must develop a proper professional guiding ideology, handle well the relationship between the creation of wealth and accumulation of wealth, and vigorously look for and expand revenue sources. Only by developing the economy can we secure lasting and abundant revenue sources on which the treasury can depend. Once we turn our back on production development and economic invigoration, tax collection will resemble a stream without its source, a tree without its roots. Therefore comrades engaged in tax collection must rid themselves of a one-track professional mentality and work hard to support production, promote economic development and tap and expand revenue sources. Second, enterprises in all shapes and forms have been mushrooming, individual business households have increased, the rural commodity economy has been diversified, many small state enterprises have been converted into collective operations or leased to individuals, interregional economic connections have increased with each passing day, and foreign economic ties are becoming stronger every day. All this is part of the new unfolding scene. We must carefully study the best way of going about tax collection under the new circumstances. Instead of falling behind, we must do as the law says and collect as much revenue as the tax rate specifies. The tax collection work conference has put forward the goal for our tax collection effort this year, which we must accomplish by working hard in a no-nonsense way and pressing on without letup so as to contribute substantially to balancing the state budget.

Third, gradually set up a sound tax system regulated by law. The more we invigorate the economy, the greater the need to strengthen the supervision and management of tax collection. The state has successively promulgated a number of tax laws and regulations over the past few years in response to the needs of the emerging situation. But it takes time to put together a sound legal system. From now on, we must gradually develop a scientific and meticulous legal system for tax collection. When such a system is in place, who should enforce the laws? Herein lies the problem of the economic execution of the law. Apparently it will not do if we lack an agency to enforce the laws on behalf of the state. As economic courts at all levels become better established in the days ahead, the problem of economic execution of the law can be resolved and laws will be executed free from the wishes of officials in charge.

Note that whenever we mention reform and economic invigoration these days, some comrades immediately demand tax breaks and exemption. While such demands are justified in some cases, this is not true most of the time, so we must distinguish between them and treat them accordingly. After several years of reform, our present tax laws and regulations were mostly formulated with the general interest in mind, while taking into account special interests as well. They embody the principles of combining leniency with strictness and marrying macroeconomic control with microeconomic dynamism. The relationship between leniency and strictness is one of dialectical unity. Our tax laws must be conducive to bringing the economy to life and promoting production development, on the one hand, and strictly safeguard fiscal and financial discipline, strengthen management, and prevent dishonest practices, on the

other. They must strike the right balance between leniency and strictness. Nowadays some localities and departments overstep their authority and, acting on their own, reduce or exempt themselves or others from taxes wilfully. This type of behavior, which is a violation of our tax laws, must be firmly corrected and dealt with. Leading organizations at all levels should follow the example of the provincial CPC committee and government of Hebei and take tax collection seriously by supporting it and backing up tax collection cadres. It must be made very clear that leading cadres at all levels have only the duty to be the first to enforce tax laws, and not the power to violate them.

Judging by the present situation, tax evasion and the underpayment, nonpayment and withholding of taxes by individuals and enterprises are quite serious. We must put together a force to investigate such cases in earnest and deal with typical cases openly. As far as tax collection is concerned, the contradictions between the general interest and special interests, and between the state and enterprises, will be with us for a long time to come. So will the struggle between tax collection and tax evasion. We must be prepared for this mentally and practically. Our crackdown on tax evasion must be ongoing and serious. We must make it part of our revenue work as well as part of our effort to strengthen legal education and enhance the sense of legality among taxpayers. We must strictly enforce the tax code and punish whoever violates it, thereby preserving the dignity of the law of the land.

Fourth, strengthen the organizational setup, operations and ideology of tax agencies, and establish a contingent of cadres who have ideals, observe discipline and are of a sound political and professional quality. This is the key to enlivening tax collection work under the new situation.

We must solve the shortage of tax collection workers. With only 300,000 people nationwide, our tax collection contingent is currently not equipped to meet the needs of the new situation. Also our work methods are still of the handicrafts mode and antiquated. Since this situation cannot be altered in the near future, it is essential that the tax system increase its manpower. Otherwise, we cannot accomplish our tax collection tasks, which are becoming heavier by the day.

The tax collection contingent must be made up of people who have ideals and observe discipline. This is more important than size. By ideals, we mean a commitment to reform, a lofty ambition to achieve the four modernizations and noble communist ideals. Right now, we should set our sights on the country's future, be aware of its hopes and increase our confidence in reform. Our agricultural reforms have been spectacularly successful and our city-oriented restructuring of the economic system is being launched step by step and will reap a bumper harvest after a few years' hard work. But since our reform in many ways has no precedent to follow, it is not surprising--and often inevitable--that problems occur during its course. We should regard them as peripheral issues, although they must naturally be taken seriously and, given the right approach, should be and can be resolved satisfactorily. We must persevere in reform and advance as we reform. We must develop a contingent of tax collection workers who have strategic vision, who persist in and promote reform. We must strengthen ideological and political work to make every cadre

realize his mission and instill in him a sense of pride in his work, a wholehearted commitment to serving the people, a conscious resistance to negative bourgeois things, a law-abiding spirit, and an immunity to all forms of corruption. To do their job well, the masses of tax collection cadres trudge from home to home and experience myriad hardships. Theirs is a glorious and strenuous task. We must help solve some of their practical problems, slowly create a good working environment for them and care about their daily living. This is the responsibility of leaders at every level.

We must diversify our methods of personnel training to improve cadres' political quality and professional and educational standards; professional training in particular must be enhanced. A considerable number of our tax collection cadres today are "rookies," long on enthusiasm and short on expertise. We must put them through training and practice so that they can familiarize themselves with the profession and acquire tax collection skills under the new circumstances as quickly as possible.

We must pay attention to work methods and workstyles. Comrades in tax collection work must, first, have the courage to uphold principles, speak out, identify problems and expose contradictions. A cadre who is afraid to speak out cannot do his job properly. Second, they must always look at the overall picture whatever the issue at hand. They should not be one-sided. Third, they must always ask for instructions and make frequent reports to seek the leaders' support. These well-tried methods should prove equally useful under the new circumstances. In addition, they must do a good job in information gathering. Through tax collection and management, they should develop a grip on the economic pulse of the nation and its future economic trends and provide the data required for correct decisionmaking. There should be ongoing research on the emerging conditions and an ongoing effort to solve new problems. We need more action and less talk. At a time when a barrage of problems in economic and tax collection work vie for our attention, we must set priorities, study them one by one and put forward solutions. This is an effective way of overcoming bureaucratism and improving efficiency.

We must gradually modernize tax collection. Our current work methods remain essentially manual operations and are very backward. We must consider switching over to the computer in due course, beginning with the big cities. Computerization should be carried out step by step, systematically, with some places going computerized ahead of others. There must be no stampede; rather we must devise a plan and carry it out step by step.

12581  
CSO: 4006/975

FINANCE AND BANKING

BRIEFS

ANCIENT COINS FOUND--Hohhot, 2 Oct (XINHUA)--Over 10,000 ancient Chinese coins, in 50 types, were recently found in Jirem League in the Inner Mongolia autonomous region, according to experts here today. The earliest of the coins were made in the western Han Dynasty (206 bc-ad 24), and the latest were made in the Liao Dynasty (916-1125). Other coins include some made in the Sui, Tang, Five Dynasties period, and Song. The coins were found in a waste dump by a local native products company. They added that plenty of coins made in the warring states period (475-221 bc) had been found in the past few years in Chifeng area in Inner Mongolia, 2,000 of which were precious knife-shaped coins made in the state of Yan (11th century--222 bc). /Text/ /Beijing XINHUA in English  
0249 GMT 2 Oct 85/

CSO: 4020/17

MINERAL RESOURCES

BRIEFS

NINGXIA SILICAN DEPOSITS--Yinchuan, 2 Sep (XINHUA)--Chinese geologists have uncovered large deposits of silica near the Helan Mountains of the Ningxia Hui Autonomous Region in northwest China. The deposits, up to 600 meters thick, contains 98 percent unitary grey white quartzite and silicon dioxide. It is near the surface and suitable for open cast mining. The deposits are located near a railway station in Yinchuan, the regions capital city. The trunk railway runs to Baoomu, Inner Mongolia, and Lanzhou, capital of Gansu Province. /Text/ /Beijing XINHUA in English 0823 GMT 2 Sep 85/

JIANGSU SALT MINES--Nanjing, 3 Oct (XINHUA)--A salt mine with reserves estimated at 250 billion tons has been found in Huai'an County, Jiangsu Province, according to the East China Petro-Geological Bureau of the Ministry of Geology and Mineral Resources. Work is now underway to work the mine, believed to be one of the largest in the world. Huai'an County is located at the Grand Canal and Has Highways to Nanjing, the provincial capital, and Xuzhou, a major hub of communications in east China. The bureau has also found two other salt mines in Jiangsu Province, with reserves of 44 billion tons and 3 billion tons, respectively. /Text/ /Beijing XINHUA in English 1606 GMT 3 Oct 85/

QINGHAI MINERAL DISCOVERY--Lanzhou, 4 Oct (XINHUA)--A new mineral discovered by Chinese scientists in Qinghai Province's Qaidam Basin has been internationally accepted. Chaidamite, a nonmetallic mineral found in a zinc and iron mine, has been approved by the international mineralogy association commission on new minerals and mineral names. It was found in 1983 by Li Wanmao and Chen Guoying geologists at Lanzhou University, in Gansu Province. /Text/ /Beijing XINHUA in English 0759 GMT 4 Oct 85/

CSO: 4020/17

INDUSTRY

GUIZHOU RADIO REPORTS INDUSTRIAL PRODUCTION FIGURES

HK220830 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 19 Sep 85

[Excerpts] The province has adhered to macroeconomic control in developing industrial production. On the premise of raising economic efficiency, the province's industrial production has maintained a relatively high growth rate.

The province's gross industrial output value from January to August this year increased by 21.3 percent over the same period last year. The profits and taxes achieved by state-run local industrial enterprises reached 605 million yuan, an increase of 39.1 percent over the same period last year. The province has thus reached unanimity in the growth rate and economic efficiency of its industrial production.

In the first 8 months of this year, the growth rates of the province's light industry and collective-run industrial enterprises were higher than those of heavy industry and industrial enterprises run by whole people. The output value of the light industry and collective industrial enterprises increased by 25 percent and 44 percent respectively. The output value of the heavy industry and industrial enterprises run by whole people increased by 19 percent and 18 percent respectively.

Of the 85 major industrial products, the output of 54 products increased compared with the same period last year. Coal output increased by 23.3 percent and the output of light and textile products, such as cotton yarn, cotton cloth, and cigarettes, showed a relatively large increase. The output of home electrical appliances, such as washing machines and tv sets, also increased relatively quickly. The province has fulfilled the annual plan for the output of maotai wine and gunnysacks which are highly marketable.

By the end of August, the number of enterprises in the province suffering losses decreased by 33 over the same period last year.

It is learned that the problems in the province's industrial production include insufficient transport power; serious overstocking of coal, phosphorus rock, and sulphide ore products; shortages of some raw

materials; and increased production costs following increases in the prices of some raw materials.

The responsible industrial departments stated that it is necessary to properly balance production, supply, and marketing in the last quarter of the year; to reasonably distribute raw materials; to arrange transportation well; and to actively and effectively control all parts so as to fulfill this year's plan for industrial production and attain the struggle target set by the Provincial CPC Committee and People's Government.

CSO: 4006/60

INDUSTRY

HEILONGJIANG PROGRESS IN BUILDING-MATERIALS INDUSTRY

SK030047 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT  
1 Oct 85

[Text] During the Sixth 5-Year Plan implementation period, our province has also achieved relative development in the building materials industry along with the large-scale capital construction in both urban and rural areas throughout the province. The province has shown a stable increase in the output of major products and a large-scale increase in economic results scored by the enterprises.

During the period, the enterprises turning out building materials throughout the province have increased their total industrial output value from 370 million to 500 million yuan, showing a yearly average increase of 7.3 percent. Of the major products, the output of cement has shown a yearly average increase of 7.6 percent; plate glass, 32.3 percent; concrete plate, 15 percent; red brick, 10 percent; and the output of sand, stone material, lime, and limestone, has also shown relative increase.

During the period, the enterprises turning out building materials have also shown an increase in profits from 33 million yuan to more than 52 million yuan, a yearly average increase of 12.2 percent. In the first 8 months of 1985, the output value, output, and profits scored by these enterprises surpassed the figures of the corresponding 1984 period by around 15 percent.

CSO: 4006/60

INDUSTRY

GUANGDONG ISSUES TO LOCAL CHEMICAL FERTILIZER PLANTS

HK071422 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT  
28 Sep 85

[Text] The Provincial Government recently demanded: No place may wantonly close, suspend, or merge small chemical fertilizer enterprises or may wantonly shift these enterprises to other types of production. It also made it a rule that in the future when any place wants to close, suspend, or merge small chemical fertilizer enterprises or shift these enterprises to other types of production, it must seek the views of the departments concerned of our province before hand so that unified planning and coordination can be carried out.

Output of small chemical fertilizer enterprises in our province over the years has exceeded half of the gross output of chemical fertilizers in the whole province. The small chemical fertilizer enterprises have made relatively great contributions toward the agricultural development in our province.

However, in recent years, due to the fact that our province has cancelled financial subsidies to the small chemical fertilizer enterprises and the prices of raw materials and fuel have risen, the costs of the small chemical fertilizer enterprises have increased. Together with the reason that a large quantity of imported chemical fertilizers has poured into our province, production in the local small chemical fertilizer enterprises has been hit. Therefore, from last year to the beginning of this year, some 10 small chemical fertilizer enterprises in various places were closed, suspended, or merged or shifted to other types of production. At present, some plants are considering shifting to other types of production. The attention of the Provincial Government has been drawn to this situation.

The Provincial Government held: The small chemical fertilizer enterprises should still be one of the important sources of chemical fertilizer resources for agricultural use in our province. It is necessary to continue to do well in grasping production in the small chemical fertilizer enterprises.

CSO: 4006/60

INDUSTRY

BRIEFS

FUJIAN FUNGUS INDUSTRY--Fuzhou, 5 OCT (XINHUA)--The annual output of canned mushrooms has rocketed from 3 tons to 50,000 tons since 1965 in coastal Fujian Province, the biggest mushroom exporter in China, according to the provincial authorities. The canned food, 50 percent of China's mushroom exports, is sold to 48 countries and regions, according to provincial officials. Fujian peasants have also developed production of other edible fungi, including tremella (silver ear), lentinus edodes (sweet mushroom) and hericium erinaceus (hedgehog hydnum). A high-yield technique for the cultivation of tremella has boosted annual output from 300 tons to 2,000 tons in only a few years. The existing output of the province accounts for over 50 percent of world production. Tremella is used in health food, drinks, medicines and cosmetics.

/Text/ /Beijing XINHUA in English 0724 GMT 5 Oct 85/

SHANDONG BROMIDE PRODUCTION TECHNOLOGY--Jinan, 1 Oct (XINHUA)--China's first factory using sulphur dioxide to produce bromides went into operation this month at Laizhou Bay on the Shandong Peninsula. Its annual output is 500 tons, a factory official said. At present, China's bromide factories use soda ash and cuts electricity consumption by one-third. Production costs are reduced by about 15 percent. Bromides are used as raw material in the production of pharmaceuticals, pesticides, and photographic reagents. It also serves as a fireproofing material in the synthetic fiber and plastic industries. The subterranean water around Laizhou Bay contains about six times the amount of bromides as in sea water. Shandong Province plans to build four bromide factories with a total capacity of 5,000 tons annually during the Seventh 5-Year Period (1986-1990? Some foreign equipment will be imported. /Text/ /Beijing XINHUA in English 0716 GMT 1 Oct/

BAOSHAN STEEL CONVERTER--Shanghai, 20 Sep (XINHUA)--The number one steel converter at Baoshan Iron and Steel Works near Shanghai produced its first 280 tons of carbon steel today. The converter, the largest in China, can produce carbon steel, low-alloy steel, steel for oil drilling and 80 other varieties. The Baoshan complex has three pure-oxygen, top-blown converters, each with an annual capacity of 3 million tons. A ceremony was held at Baoshan today to celebrate the converter going into operation. /Text/ /Beijing XINHUA in English 1640 GMT 20 Sep 85/

YUNNAN DEVELOPS BUILDING INDUSTRY--At present, Yunnan has more than 4,260 local building materials enterprises, employing more than 70,000 workers. By the end of last year, the gross output value of the province's building materials industry was over 300 million yuan, an increase of 15.5 percent over 1983, which exceeded the growth rate of the province's gross industrial output value. According to statistics, in the first half of this year, the economic indexes of the province's building materials industry's gross output value, profits, varieties, volume, and quality also improved when compared with the same period last year. [Summary] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 3 Oct 85]

JIANGXI TUNGSTEN PRODUCTS--Nanchang, 22 Sep (XINHUA)--Jiangxi Province, the largest exporter of raw tungsten in the world, will now produce more finished tungsten products in addition to the ore, an official of the local tungsten producing department announced here today. Most tungsten mines in Jiangxi now only produce the concentrates, instead of finished products. New capital and technology will be concentrated on tungsten smelting and processing, besides continuing to produce tungsten concentrates during the next 5-year plan (1986-1990). Beginning next year, instead of producing only tungsten powder, smelting equipment and know-how will be applied to produce secondary ammonium tungstate, hard alloy and other products. The project will be completed in 3 years. Jiangxi has been mining tungsten for 70 years, producing about 60 percent of all the tungsten in the country, two thirds of which are exported. One-fifth of China's tungsten reserves are found in southern Jiangxi. /Text/ /Beijing XINHUA in English 0702 GMT 22 Sep 85/

CSO: 4020/17

CONSTRUCTION

BRIEFS

REPORT ON URBAN CONSTRUCTION--Beijing, 3 Oct (XINHUA)--Gas has reached 72 percent of the homes in the city center of this Chinese capital, according to the BEIJING DAILY today. This is a major achievement in Beijing's urban construction during the Sixth 5-Year Plan Period (1981-1985), the paper says, adding that the nearby north China oilfield will be supplying the city with gas on a trial basis this month. The city spent 1.8 billion yuan in urban construction during that period, 1.1 billion yuan more than the Fifth 5-Year Plan Period. Other major achievements include: roads totalling 503 km in length were built or expanded since 1980, 2.5 times the figure for the early postliberation period; these include several ring road systems which help reduce traffic jams as well as noise in the city center. Six ditches were dredged. The work costed several hundred million yuan, during which 2 million cubic meters of silt were removed; about 100,000 people voluntarily worked on the project, the paper says. Heating centers now supply buildings of 9.27 million square meters in floorspace, 64 percent over the 1980 figure. Twelve overpasses have been built since 1980, bringing the total to 15. /Text/ Beijing XINHUA in English 1600 GMT 3 Oct 85/

NEW GUANGDONG BRIDGE--Guangzhou, 5 Oct (XINHUA)--A new cable-stayed bridge is under construction at Jiujiang ferry, Guangdong Province. The single-tower bridge is 1,690 meters long and 16 meters wide with the largest span 160 meters. It has 43 piers and 2 abutments. The highway bridge is scheduled for completion in 33 months and will cost 64 million yuan. Located in the center of the Pearl River delta, Jiujiang is the most important ferry on the Guangzhou-Zhanjiang highway, and carries more than 5,000 vehicles a day. Traffic jams here have severely hampered Guangdong's provincial communications. /Text/ Beijing XINHUA in English 0812 GMT 5 Oct 85/

CSO: 4020/17

FOREIGN TRADE AND INVESTMENT

SINO-SWEDISH AGREEMENT TO FACILITATE TRADE CONCLUDED

Stockholm DAGENS NYHETER in Swedish 13 Sep 85 p 13

[Article by Bjorn Anders Olson]

[Text] "It took 15 years for Singapore and Japan to reach the positions that they currently have. Five years have passed since the economic reforms were initiated in China. Now it is our turn."

Thus Wei Mingyi summarized the situation of his country when he on Thursday spoke at the annual meeting of the Sweden-China Trade Council [SCTC].

Wei Mingyi is the vice president of the CITIC [China International Trust and Investment Corporation] and he had earlier that day signed a collaboration agreement with SCTC.

This will make it easier for Swedish industries to get a foothold in the gigantic Chinese market .

"The agreement with CITIC is going to make it easier when you have to deal with several ministries, which is often the case," says Deputy Director of Atlas Copco Tom Wachtmeister, chairman of SCTC.

Tom Wachtmeister emphasizes for DAGENS NYHETER that several of the leaders of CITIC are original capitalists since before the revolution. "They represent a tradition that is positive toward free trade," says Tom Wachtmeister.

This is verified by CITIC Chairman Rong Yieren who inherited a textile empire in Shanghai. When it became nationalized in 1956 he was worth ca 3 billion Swedish kronor.

Today he is managing a large part of the trade contacts of the Communist China and he has visited Sweden several times.

Trade between Sweden and China is also developing relatively rapidly. During the first half of this year the export from Sweden to China had almost doubled to 800 million kronor. Two-thirds of the export consists of workshop products, which also represent the fastest growing export.

The very, very fast economic development in China during the past few years is now going to be slowed down intentionally from an annual economic growth of more than 14 percent to 7-8 percent. All areas of society have not kept up with the fast development.

According to Wei Mingyi, there is not, however, any risk that the open door policies of recent years will change.

"Deng Xiaoping has said that if there would be a change, it would only mean that the open door would be opened up wider," says Wei.

"The open door policies have been entered into the Chinese constitution," he continues.

Wei Mingyi points to a large number of areas where China has problems and where Swedes and others are able to make a contribution: energy, transportation, mail, telecommunications, farming and consumer goods.

"The Chinese buying power has increased by more than 14 percent per year in the past five years. And do not forget that China consists of one billion consumers," says Wei Mingyi.

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CSO:3650/351

FOREIGN TRADE AND INVESTMENT

ZHEJIANG'S COASTAL PEASANTS ACTIVE IN FOREIGN TRADE

Beijing RENMIN RIBAO (Overseas edition) in Chinese 3 Jul 85 p 3

[Article by Lin Nan [2651 2809] and Ying Guowen [5391 0948 2429]: "Zhejiang Coastal Peasants Actively Set Up Factories and Chase Foreign Trade; Sights Set on the International Market"]

[Text] A group of peasants in the coastal area of Zhejiang were the first to sell their products on the international market by the "peasants working in trade" method. Their activities and achievements provide the first clue about "agricultural foreign trade."

In recent years Zhejiang's coastal rural commodity economy has developed rapidly. A large group of "peasant entrepreneurs" with minds for management took advantage of the open door policy and boldly set their sights on the international market. More than 120 rural enterprises primarily produce exports according to incomplete statistics from the 35 counties and prefects in the province. The province's rural-run enterprises provide more than 230 million yuan of the gross export commodity value.

A rural-run enterprise--the Yin County Freezing Plant in the suburbs of Ningbo has won foreign businessmen's trust thanks to its highly fresh and quickly delivered exports of fresh-frozen loach to Japan. They do not keep any "surplus goods" when processing but always wait until they receive a foreign buyer's telex before crash-slaughtering. That very night the fish are sent to Shanghai for export by air freight. From the slaughtering of the live loach until the arrival of the fresh-frozen pieces on Tokyo's supermarkets takes less than 24 hours.

There is a village-run leather company in Qingshi Township in Tongxiang County, in Jiaxing City. It quickly created a very reputable "Zu Jia" [6398 0163: lit great feet] domestic label because it stressed quality and wise management. Last year's goods sold on a trial basis in Hong Kong were praised by foreign trade units in Shanghai and Hong Kong businessmen. Not long after that, the company formally signed a contract with two foreign trade companies in Shanghai and two Hong Kong businessmen and set up the "China Advanced Footwear Co, Ltd." They established cooperative relations with Yongning County in the Ningxia Hui Autonomous Region to solve the problem of raw

materials. They provide equipment and technology and help Yongning County run a leather factory. Each year Yongning County provides them with 180,000 cattle and sheep hides.

Of the 52 townships and villages in Yin County, 28 are exporters. Last year there were 36 kinds of export commodities and the output value was more than 13 million yuan, accounting for more than 20 percent of the entire county's foreign trade purchases. Most of these goods are traditional local native and special processed goods, plus some new goods introduced according to local conditions. For example, the townships of Kaoqiao, Jishigang and Wangchun have a popular tradition of mat weaving. Later they discovered that they could also weave Japanese "tatami." They introduced from Japan and planted Chinese small iris [Iris pallasii] and began production of "tatami." Last year they exported 100,000 in all, worth more than 1 million yaun. This year Yin County increased the Chinese small iris planting area two-fold over the area planted last year. The Zhejiang coastal area's agricultural and sideline product exports have historically accounted for more than one-half of the province's total volume of exports. After these cities were drawn into the suburbs of the coastal open cities and the Chang Jiang delta area, rural cadres and peasants who used to be "fieldhands" and "dockhands" are now earnestly pursuing "foreign trade."

12615

CSO: 4006/942

FOREIGN TRADE AND INVESTMENT

BRIEFS

GUANGDONG OPENS EXHIBITION--Guangzhou, 31 Aug (XINHUA)--A 10-day exhibition of Guangdong's achievements in introducing foreign funds opened here this morning at the Guangzhou foreign trade center. Over 150 enterprises in the province are taking part in the exhibition, including Sino-foreign joint and cooperative ventures, enterprises with exclusive foreign investment, factories which process and assemble materials from abroad, and those engaged in compensation trade. Organizers said that the purpose of the exhibition was to exchange views and share experiences and, by way of comparison, find out the products and technology suited for the province's development and competitive entry onto world markets. Guangdong has set up 3,000 Sino-foreign joint or cooperative ventures and 90 enterprises with exclusive foreign investment since its opening to the outside world 6 years ago. It has signed over 50,000 contracts on introducing foreign funds, and 2.2 billion U.S. dollars in foreign funds have already been used in the province. Among the ventures the proportion of productive enterprises is increasing, a local official said. The joint and cooperative ventures have especially contributed to the development of the province's electronics, textile, clothing, food and plastics industries, the official noted. More than 2,000 departments and enterprises in other provinces will send people to visit or hold business talks at the exhibition. About 300 foreign firms are also expected to attend. /Text/ [Beijing XINHUA in English 1838 GMT 31 Sep 85]

CSO: 4020/17

SPECIAL ECONOMIC ZONES

ZHUHAI MAYOR ON CITY'S PREFERENTIAL TREATMENT

Beijing RENMIN RIBAO (Overseas edition) in Chinese 6 Jul 85 p 3

[Article by Liang Guangda [2733 0342 1129], Mayor of Zhuhai: "Open Door Policy Supported, Preferential Treatment in Many Areas"]

[Text] Zhuhai is situated on the west bank of the Zhu Jiang as it flows to sea. It is connected to Macao by land and to Hong Kong by sea. Zhuhai is one of China's important ports and one of China's four current special economic zones [SEZ]. Zhuhai administers two prefectures and one county. The population is almost 400,000 people. Zhuhai is a seashore of scenic beauty well-known to overseas Chinese compatriots.

In 1979, the State Council's decision to turn the former primarily fishing county of Zhuhai into a province-administered city, to establish an experimental SEZ and to grant a series of special policies and flexible measures brought high momentum for development and construction of the SEZ. In 1984, the Zhuhai SEZ developed rapidly. The gross agricultural output value, gross financial revenues, the total sum of foreign funds introduced, the actual figure of foreign funds utilized, the total travel industry figure, investment in the city's completed capital construction and retail sales figure of social commodities all more than doubled compared to the year before.

Industry, commerce, agriculture, animal husbandry, residential living and tourism are all practiced in the Zhuhai SEZ, which is centered around industry. A group of industrial projects currently are at the advanced international level. For example, a fiberglass plant, an energy-saving glassworks, a modern car-repair center and an HCD series box-type magnetic tape tester are all being built in Zhuhai. Some have gone into production. It is predicted that the gross value of industrial and agricultural output in the special zone will be relatively larger than last year. There is great potential for development in agriculture and the fisheries industries. Last year the SEZ Agricultural Development Co, the Zhu Jiang Water Resources Committee and the Hong Kong Guangda Group cooperated to develop projects at Modao Men at the mouth of the Zhu Jiang. In only one-half of a year they have already completed the enclosure of 20,000 mu of tideland for cultivation. It is predicted that they can enclose 50,000 mu this year and 200,000 mu in 5

years. Zhuhai is composed of more than 100 islands and islets of various sizes. It has many bays and shoals and offers superlative conditions for developing sea breeding industries.

Zhuhai will soon run a trial breeding base for good varieties of plants and animals introduced from abroad on the islands of Qi'ao and Hengqin. According to policy regulations, the 5 years after the investment turns a profit will be entirely tax-free. We welcome overseas Chinese compatriots and friends from around the world who are interested in these projects to come and cooperate in Zhuhai.

There is a definite basis for the tourism industry in Zhuhai. The Zhuhai Guest House, Gongbei Guest House, Shihingshan Tourism Center and the Shihuashan Holiday Village are already operating and have reached a considerable level of service. Last year the city received 500,000 tourists. In the first quarter of this year an increase in tourists of 27 percent was seen over last year. In May an international golf course and large amusement park opened that was built with the cooperation of the Nippon Daisei Co Ltd of Japan.

In order to meet the development needs of the SEZ and provide foreign investors with a good environment for investment, we will provide the appropriate human, material and financial resources to carry out capital construction projects in the SEZ. This year we will build a group of industrial factories, construct or reconstruct 6 major roads that are 40 km long, expand a 30,000-switch automatic telephone project (some can make international calls), repair the 10,000-ton-capacity integrated port at Jiuzhou, stress airport feasibility studies, construct a thermal power plant and complete construction of a running water system within the SEZ and Macao. As the mayor of Zhuhai, I send my regards to overseas Chinese compatriots and foreign businessmen and friends and wholeheartedly hope to expand investment cooperation with them. We will implement preferential policies in many areas. We believe that a new construction situation will certainly appear in the Zhuhai SEZ with the enthusiastic support of overseas friends.

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CSO: 4006/942

SPECIAL ECONOMIC ZONES

REPORT ON RAPID DEVELOPMENT OF ZHUHAI'S ECONOMY

Beijing RENMIN RIBAO (Overseas edition) in Chinese 6 Jul 85 p 3

[Article by Feng Xiao [7458 71970]: "Zhuhai Is 'Climbing the Hill'"]

[Text] "Regards to the Zhuhai Special Economic Zone [SEZ]!" This was Chinese leader Deng Xiaoping's greetings upon his inspection of Zhuhai. In recent years the Zhuhai SEZ has upheld the open door policy, developed its strengths, and starting with commerce and tourism, built a group of distinctive commercial and tourist buildings. Zhuhai's economy is currently climbing the hill--developing in the direction of industry and "extroversion." Zhuhai is simultaneously making the economy of the SEZ develop steadily, giving balanced attention to tourism, commerce and the breeding and growing industries.

How can Zhuhai change into a city centered around industry? How can it develop toward "extroversion"? By utilizing foreign funds in the past year Zhuhai has introduced more than 3,300 units (sets) of various kinds of production equipment, set up more than 70 new factories of various kinds, for a total of more than 260 factories (farms), counting the original enterprises, making a small grade-three county with one leap begin to take shape as a burgeoning industrial city. Some of Zhuhai's light industrial, textile and electronics goods enjoy reputations at home and abroad. For example, the open reel tapes, blank tape cassettes, stereophonic tapes, cassette test tapes and other products made by the Hua Sheng Magnetic Tape Works sell well at home and abroad. Zhuhai is currently concentrating on the needs of international and Hong Kong and Macao markets, further altering its economic structure, determining the movement of goods, adopting effective measures and striving to expand exports.

On the one hand, Zhuhai is introducing technology to produce export; on the other hand, Zhuhai is using its "antennae" that are extended into the international market to increase the value of local or interior raw materials and primary goods by doing precision work in the SEZ and then putting them on the international market. The 12 varieties of goods and 32 styles of plastic beaded curtains made by the Plastic Decoration Works and the cotton adhesive made by the Wanchai Cotton Fiberglass Works have been held in many countries and regions and they are attracting even more businessmen to come and discuss business.

Zhuhai is striving to develop an agricultural and sideline products commodity base and to expand exports. Zhuhai sells more than 10,000 tons of vegetables outside the city each year and has a large market in Macao. The amount of fresh flowers annually sold to Macao is also large; last year sales brought in H.K. \$3.8 million. Zhuhai's grouper, carp and other top-quality goods are even more welcomed by compatriots in Hong Kong and Macao. Sales are continuously rising.

Zhuhai is using its abundant sand, stone and soil resource strength to increase foreign exchange revenues. The SEZ is currently developing the rock material resources of the islands in an active and planned way. If a rock quarry were opened on an island that produced crushed stones, filler, polished granite and other slabs, Zhuhai could earn foreign exchange not only by exporting goods, but rock quarries and mines opened entirely by foreigners could also provide wages for the workforce.

The Zhuhai SEZ has made obvious gains this year because it changed direction quickly and its policies have been correct. Revenues from foreign trade exports in the first quarter were more than \$2.7 million, completing more than 30 percent of the annual plan, a 20-percent revenue increase over the same period last year. The number of joint and cooperative projects signed with foreign businessmen increased threefold in the first quarter over last year. The agreements are for a total investment of more than \$55 million, 50 percent higher than for the same period last year. Direct investment was more than \$23 million, 40 percent higher than for the same period last year. Many of these projects involve rather advanced technology.

In the first quarter the SEZ Land Development Co, responsible for capital construction in the Zhuhai SEZ, surpassed its quarterly plan centered around infrastructural preparation for capital projects. The number of businessmen coming to Zhuhai for negotiations has increased each day in the wake of industrial development. The volume of tourism business in the first quarter also increased 80 percent over the same period. The Zhuhai SEZ's first-quarter financial revenues greatly increased because of the results achieved in various areas.

Just as I was about to leave this beautiful city, I took another look at the Beiling, Nanshan and Xiawan industrial districts that are stressing development and the burgeoning Zhuhai industrial city. Ah, what a captivating seaside garden city that is! I believe that tomorrow even more overseas Chinese, compatriots from Hong Kong and Macao and foreign businessmen will keep pouring in. Tomorrow the masters of Zhuhai will stand atop the tall "hill" and extend a warm hand to welcome guests from around the globe!

12615  
CSO: 4006/942

TRANSPORTATION

PRC TO SPEED PORT CONSTRUCTION IN NEXT 5 YEARS

OW200856 Beijing XINHUA in English 0800 GMT 20 Sep 85

[Text] Beijing, September 20 (XINHUA)--China plans to complete 120 deep-water berths by 1990, bringing the country's total to 320, according to Qian Yongchang, minister of communications.

Annual handling capacity of China's ports will be increased to 500 million tons by 1990, he predicted.

The minister revealed that there will be 34 new deep-water berths able to accommodate ships of the 10,000-ton class at the coastal open cities by the end of this year. These will raise handling capacity to 317 million tons.

The Ministry of Communications plans to adopt special preferential policies to attract foreign investment in port construction, he said, and added that public bidding for projects would also be instituted to encourage competition.

The ministry is also planning new and improved expressways and highways as well as inland waterways to increase transport capacity.

CSO: 4020/14

TRANSPORTATION

HARBOR CONSTRUCTION IN NEW DEVELOPMENT STAGE

OW301050 Beijing XINHUA in English 1030 GMT 30 Sep 85

[Text] Beijing, September 30 (XINHUA)--China invested 8.7 billion yuan in the construction of 132 berths in its coastal harbors in the six five-year plan period from 1981 to 1985, according to the Ministry of Communications here today.

Qian Yongchang, minister of communications, told XINHUA that 54 deep-water berths with a combined handling capacity of 100 million tons had been completed as set out in the five-year plan.

He said harbor construction has entered a new development stage in the country since the government had taken it as one of its strategic priorities in developing the national economy for the nationwide modernization drive and further opening to world.

An average of 11 deep-water berths with a combined handling capacity of 20 million tons was added annually in the five years from 1981 to 1985; equipment and machinery were likewise up-dated, he added.

He said the number of deep-water berths in China's harbors will be 200 by the end of this year, as against 60 in 1949 when new China was founded. The annual handling capacity will increase to 330 million tons, as against more than 10 million tons at that time.

Speaking about the key projects for energy and container transport, he said China has completed 100,000 dwt and 50,000 dwt-class coal and minerals wharves in Ningbo, Shijiu and Qinhuangdao, and container berths in Shanghai, Huangpu and Tianjin.

By the end of the year, four coal wharves at Qinhuangdao, Qingdao, Shijiu and Lianyungang, respectively, will have 11 berths with a combined loading capacity of 63 million tons of coal a year, while the unloading capacity will reach a total of 19 million tons in 18 berths in Shanghai, Ningbo, Huangpu, Zhenjiang, Zhangjiagang and Nantong harbors.

China also built oil terminals at Dalian, Qinhuangdao, Qingdao and Nanjing, the annual total handling capacity of which has reached 61 million tons.

Construction of two oil berths to accommodate 200,000 dwt oil tankers will begin in Dalian and Qingdao next year.

The number of container berths in six terminals will grow to 13 by the end of this year. They will be able to handle 850,000 containers.

Although China has made great efforts in harbor construction, Qian Yongchang said, they still can not meet the needs of growing foreign trade because of poor transport conditions in limited berths. China's 13 large harbors are now operating at full capacity, handling more than 900,000 tons of cargo every day, 30 percent more than their designed capacity. Delays are still a problem.

The Chinese Government has decided to increase investment in harbor construction in the seventh five-year plan (1986-1990). It will also provide preferential treatment to foreign investors in harbor projects, Qian said.

In the next five years, Qian said, China will start to build more than 100 deep-water berths and 100 medium-sized and small berths while speeding up construction of 96 deep-water berths and 25 medium-sized berths.

CSO: 4020/14

TRANSPORTATION

PRC-SINGAPORE COMPANIES TO DEVELOP SHENZHEN HARBOR

OW192009 Beijing XINHUA in English 1947 GMT 19 Sep 85

[Text] Shenzhen, September 19 (XINHUA)--Chinese and Singapore companies have agreed to undertake a joint harbor development scheme at western Shenzhen, Guangdong Province.

The scheme includes the building of three berths for 20,000-ton cargo ships and another for 35,000-ton container vessels at Mawan on the western coast.

According to the contract signed here on Wednesday between the Nanhai Oil Shenzhen Development and Service Company of China and the Sum Cheong Piling Company of Singapore, the latter will invest 160 million U.S. dollars while China will provide local resources.

Fifty million dollars will be used to build a 35.5-kilometer railway linking the western coast with the Guangzhou-Shenzhen railway.

The co-operation forms part of the mass construction of Shenzhen harbor.

The Shenzhen special economic zone is on a south-facing peninsula with a 171-kilometer coastline. About one-third is surrounded by deep water suitable for harboring large ships.

The Nanhai company signed another contract last month with a U.S. firm to build four deep-water berths at western Shenzhen to accommodate 50,000-ton container vessels. This involves a U.S. investment of 200 million dollars.

When the two projects are complete, Mawan harbor will be able to load and unload more than six million tons of cargo every year.

The Shekou and Chiwan docks to the south have been completed, and have a handling capacity of more than three million tons a year.

Swiss and Japanese companies have shown an interest in building the Yantian harbor to the east. It will be able to handle 2,800,000 tons of goods a year by 1990 with deep-water berths for ships up to 100,000 tons.

Some trade officials predict that Shenzhen will become China's largest transit port for imports and exports within the next decade.

CSO: 4020/14

TRANSPORTATION

NEW ELECTRIC LOCOMOTIVE DEVELOPED TO HAUL COAL

OW241151 Beijing XINHUA in English 1103 GMT 24 Sep 85

[Text] Changsha, September 24 (XINHUA)--China's largest electric locomotive (6,400-kw) has been developed jointly by the electric locomotive plant and Electric Locomotive Research Institute of Zhuzhou City, Hunan Province.

As a key research item in the country's sixth five-year plan (1981-1985), the "Shaoshan 4" locomotive will be used mainly to haul coal.

Tests showed that it is able to draw a 7,000-ton train at a speed of 90 kph on even rails.

Many items of domestic and foreign advanced technology and up-to-date materials were used in its construction.

China plans to manufacture 200 such locomotives annually from 1987, an official of the Zhuzhou plant said.

Previously, the country's largest electric locomotive had a power of 4,350 kw.

CSO: 4020/14

TRANSPORTATION

BRIEFS

BEIJING'S AIRFREIGHT SERVICE--Beijing's import and export volume of airfreight accounts for more than 80 percent of the nation's total. In recent years, the Beijing airfreight station has forged business ties with 54 Chinese transport companies and 20 international transport agencies. Beijing's total import and export volume of airfreight in 1984 increased 280 percent over that of 1981. Imports went up 290 percent, while exports rose 19.3 times. The total weight of the 82,478 express mails delivered in 1984 showed a 6.2 times increase over that of 1981. /Excerpts/ /Beijing REVIEW in English 30 Sep 85/

SHAANXI RAILWAY LINE--Xian, 20 Sep (XINHUA)--An east-west section of railway line between Putao yuan and Yuanlong in Shaanxi Province, which was blocked by a big landslide on Tuesday, has been reopened. Two thousand workers spent 60 hours clearing more than 50,000 cubic meters of earth and stones from the track, and managed to reopen the line--which links Lianyun harbor in Jiangsu Province with Lanzhou in Gansu Province--3 days earlier than was first forecast. /Text/ /Beijing XINHUA in English 1851 GMT 20 Sep 85/

LIAONING'S DANDONG PORT--Shenyang, 28 Sep (XINHUA)--The freighter "Friendship No 11" of the Shanghai Shipping Bureau today left Dandong Port with 3,900 tons of corn for a port near Japan's Nagoya City. This was the first Chinese freighter sailing from Dandong Port for a foreign country since the port was opened to the outside world on 20 September. At first the port will handle only Chinese freighters shipping import and export goods. It will open to foreign freighters when conditions are ripe. /Summary/ /Beijing XINHUA Domestic Service in Chinese 1657 GMT 28 Sep/

CSO: 4020/16

HONG KONG MEDIA ON CHINA

REPORT EXAMINES NECESSARY PRC GROWTH RATE

HK070450 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 7 Oct 85 pp 1, 5

/Article by Financial Editor John Mulcahy/

/Text/ Seoul: China's average income will have to grow by a staggering 5.5 percent a year to achieve parity with the industrialized countries by the year 2050.

According to World Bank sources, per capita national income in industrial countries, in terms of purchasing power, is about 10 times higher than China, and is likely to increase by 2 to 3 percent over the next 65 years.

The sources disclosed that the World Bank will open a resident mission in Beijing on 25 October with a view to identifying investment opportunities for bank affiliates, and to monitor the projects already under way.

During the World Bank's financial year to 30 June the agency lent U.S.\$1.5 billion to China, and this will be increased "depending on the bank's capacity."

On current projections China will evolve into a middle-income country from a low-income nation over the next 20 years.

According to the country's own targets, per capita gross national product will rise to \$800 by the end of this century from \$300 now.

The growth rates needed for China to catch up with the industrialized countries have been rare in recent history, and over the 1960-1982 period only two developing countries--South Korea and Greece--achieved per capita income growth rates above five percent a year.

Put another way, the sources said, only Japan has indisputably caught up with the developed nations from a position of economic /word indistinct/. China's ability to achieve middle-income status by the year 2000 depends largely on its economic management, and especially its success in mobilizing financial and human resources, on importing modern technology and putting these factors to efficient use.

"China's record of economic management, for all its unevenness, is superior to that of other low-income countries, both in promoting growth and in reducing poverty," the sources said.

But to achieve such extraordinary growth over a sustained period will require intense efforts to reduce costs, to increase productivity, to improve quality and to introduce new products.

"It involves bold yet frugal investment decisions, increasing specialization and the constant displacement of more expensive or inferior products and processes by cheaper and better ones," the sources said.

Questioned on the prospects for banking reform in China, the World Bank sources said the changes in the system of economic management would increase the importance of monetary control.

Under a system of administrative allocation, the availability of money and credit to pay for goods is of secondary importance, with monetary policy playing a passive and accommodative role.

In a market economy, however, the supply of money and credit has a direct effect on demand for goods and services and the price level.

Because of this, and resulting from the period of high inflation in the 1970's, governments in market-regulated economies have attached a greater importance to monetary control.

"In China, both the need to control money and credit and the existence of a connection between fiscal policy and monetary policy are well understood.

"But a separate central bank was established only in 1984, and recent experience of unexpectedly rapid credit expansion suggest there may be scope for improved techniques and instruments of monetary control, the sources said.

The common reference point for monetary control in other countries is the requirement for individual banks to observe minimum reserve ratios, forcing the banks to keep a specified proportion of assets in the form of cash and deposits with the central bank."

Another mechanism is central bank regulation of the stock of high-powered money through the purchases and sales of government bonds and by varying the terms of lending by central banks to commercial banks.

World Bank sources view the restrictions on foreign exchange disbursements as little more than a temporary phenomenon, and are optimistic about more general foreign exchange policy changes.

"Especially following the recent unification of foreign exchange arrangements--the internal settlement rate was abolished early this year--and given the current account surpluses of recent years, large reserves and the ready availability of external capital, China appears extraordinarily well placed to move towards

a selectively and mainly indirectly regulated open-door system without the problems faced by other countries trying to follow a similar route," they said.

Although most developing countries adopt a strategy of foreign trade deficits and net capital inflows to maintain a higher level of investment than could be achieved using only domestic savings, this policy can backfire.

China's current account surpluses during the early years of this decade may have been the best response to a climate of exceptionally high real interest rates.

But, according to the bank sources, China's longer term policy is to incur moderate foreign trade deficits, with increased but cautious reliance on external finance.

Assuming China allows its foreign debt to rise gradually to a ceiling of 75 percent of exports, net debt by the end of the century will be \$151.9 billion in money terms (at inflation of 5.7 percent a year), or about \$54 billion in 1981 money terms.

"The appropriate level of China's future trade deficits and net capital inflows will depend on availability and cost of foreign capital, and will be affected by the process of economic reform.

"It would not be in China's interests to borrow at real interest rates of five percent to undertake a project whose economic rate of return is only two percent--indeed, this would only make China worse off," the sources said.

Benefits to China of attracting direct foreign investment are increased access to export markets and to the latest technology, and the latter has frequently been the criterion for new joint venture undertakings.

"Although the appropriate solution clearly lies in internal price reform rather than restriction of foreign investment, official fear of distortions arising from tariffs or quotas seems to have impeded direct foreign investment in China."

The World Bank sources, citing a report on China due to be released later this month, said one conclusion is that "both the potential for progress and the problems involved are so large, and there is so much without historical precedent, that an evenhanded and credible conclusion may be impossible.

"At a minimum, though, China's long-term development objectives seem attainable in principle and, if recent experience is any guide, there is a good chance they will be attained in practice," they said.

CSO: 4020/18

HONG KONG MEDIA ON CHINA

GUILIN, U.S. BANK DISCUSS ESTABLISHMENT OF AIRLINE

HK070438 Hong Kong HONG KONG STANDARD in English 7 Oct 85 p 4

/Text/ Negotiations are under way between Guilin government officials and an American bank to set up an airline to meet growing tourism demands.

The director of the Foreign Economic Relations and Trade Commission of Guilin, Mr Zhang Fuxi, told the STANDARD recently that province officials would meet senior executives of the American Express Bank in Guilin this month to discuss details of the cooperation project.

"The company will provide airline services to and from Guilin and Huiyang, a small city near Shenzhen," Mr Zhang disclosed.

He said that both parties had met in July in the provinces and the bank had initially agreed to supply three airplanes and to provide training for its pilots.

The Chinese would repay their share of the costs from revenue earned.

He hoped that such a move to increase the number of flights to Guilin would remedy the air transport shortage. The route is now solely covered by the Civil Aviation Administration of China.

"We also perceive that the Guilin Airport, situated at the southern part of countryside 14 km away from the city center, has the capacity for further expansion," Mr Zhang said.

In fact, inadequate flight services is a longstanding problem for the money-making tourist industry.

The deputy mayor of Guilin, Mr Li Jianhe, quoted figures to show that tourism was an important industry in Guilin which generated US\$12 million revenue, and accounted for one-fifth of the foreign currency earned by China.

Mr Li predicted that his amount would be around US\$15 million as 330,000 foreign and 4 million local tourist were expected to visit the scenic area.

Despite this, Guilin is facing a shortage of capital to develop tourist facilities such as hotels and management skills.

As a result, foreign investors have been invited to build hotels. A total of 19 contracts, amounting to US\$80 million, had been signed in the last 2 years, Mr Zhang said.

Mr Zhang pointed out that 9 hotels were already under construction of which 5, with a total of 2,200 beds, would be ready next year.

Of the future, Mr Li said Guilin would try to offer more souvenirs typical of the area for tourists to encourage them to spend more money.

A tourist spends an average of US\$185 on a 2-day trip, against \$300 elsewhere.

Guilin officials said the largest group of foreign tourists were Japanese. This was followed by travellers from United States and Hong Kong.

CSO: 4020/18

HONG KONG MEDIA ON CHINA

BRIEFS

HELICOPTER SERVICE TO PRC--A local firm with China links plans to introduce helicopter service to the mainland. Ms Zheng Li Ming, director and general manager of Shin Ding Ja Aviation Services Co Ltd, said last week the firm had contacted the Civil Aviation Department and received favorable response to its proposals. She could not say when the service will begin. Ms Zheng said the government is considering offering a piece of land by private treaty in Shatin for a new helipad, but the company is not satisfied with the offer as the location is too far from the city. Shin Ding Ja is the sole agent and business representative in Hong Kong of the Industrial Aviation Service Corp, an off-shoot of the Civil Aviation Administration of China (CAAC). It acts as the liaison office in Hong Kong for CAAC Helicopter Co of China, Nanhai Oil Joint Service Corp as well as China Capital Helicopter Corp. Ms Zheng said a formal joint application for the proposed service will be filed soon with the Hong Kong Government by the company and the China Capital Helicopter Corp. The helicopter service, she said, will initially cater for onshore and offshore oil exploration and exploitation. The service will be extended later to tourism, carrying passengers from Hong Kong to the four economic zones in China. Shin Ding Ja was set up in February this year and started operations officially on Friday. /Text/ /Hong Kong SOUTH CHINA Morning POST (BUSINESS NEWS Supplement) in English 30 Sep 85 p 1/

MACAO TALKS--Macao, 7 Oct (AFP)--The Social Democratic Party (PSD), winner of yesterday's general election in Portugal, has announced that a Portuguese team is soon to be appointed to negotiate with China the future of this Portuguese-administered territory, a PSD source said here today. The PSD said that the Portuguese team would include top-ranking diplomats. A PSD source here, Marinho de Bastos, said that the party's position was that Portugal would not abandon the people of Macao, and that their interests would be considered when the territory's future was discussed. In May Portugal and China agreed in Beijing, during a visit by Portuguese President Ramalho Eanes, that negotiations about the future of Macao would begin next year. In New York recently Chinese Foreign Minister Wu Xueqian agreed with his Portuguese counterpart Jaime Gama that formal talks should start only after general and presidential elections in Portugal. A new Portuguese president is to be elected early next year. Macao is a Chinese territory under Portuguese administration. /Text/ /Hong Kong AFP in English 0848 GMT 7 Oct 85/

CSO: 4020/18

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